



**ҚазМұнайГаз**  
NATIONAL COMPANY ҰЛТТЫҚ КОМПАНИЯСЫ

# ANNUAL REPORT 2013







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# Statement of Chairman of Board of Directors



**Dear shareholder, partners and  
all other stakeholders,**

On behalf of the Board of Directors of Joint-Stock Company National Company KazMunayGas I personally would like to thank you for your confidence in us and also for your continued strong support to KazMunayGas.

The Republic of Kazakhstan is blessed with ample hydrocarbon resources. It is the duty of KazMunayGas, as the custodian of these resources, to explore and produce them in an efficient and responsible way with a focus on sustainable value creation while securing the needs of the Kazakh population.

We have an unconditional commitment to good governance principles and best operational practices. It is therefore important

to note that the earlier announced reorganization according to business lines and the centralization of functional responsibilities has gathered further momentum. This will secure a further increase in operational efficiency, overall effectiveness, transparency and accountability, creating a working environment for our staff in which they can show their skills and commitment.

Energy is one of the most important contributors to the further growth and development of the global economy and therefore the demand for energy is in the foreseeable future expected to continue to grow. It is our mission to become one of the premier fully integrated energy companies contributing to the further development of Kazakhstan, the region and also globally.

Although a lot has been achieved, continued relentless work together with our partners will be required. Investment in the further development of our staff is as important as the investment in existing and new business opportunities.

Working together to be a better company every day.

**Yours faithfully,  
Frank C. W. Kuijlaars**

**Chairman of Board of Directors,  
JSC NC KazMunayGas**

# Statement of Chairman of Management Board



## Dear colleagues and partners,

In 2013, the oil and gas sector of Kazakhstan's economy continued to develop progressively. Aggregate oil and condensate production amounted to 81.8 mn tons. A significant share in the republic-wide volume of oil production is ensured by the companies operating as part of JSC NC KazMunayGas (KMG). National company's results of the last year are marked by effective implementation of all adopted plans in compliance with the 10-year Development Strategy, aimed to maximize state's benefits from the oil and gas industry.

First production at the Kashagan field in the Kazakhstan sector of the Caspian Sea, undoubtedly, became a key event of the last year. Furthermore, last year implementa-

tion of the Future Growth Project started at another major field — Tengiz that will increase the oil production by almost a third in a few years.

The start of the project for construction of the third line of the Asia Gas Pipeline, providing transportation of the Central Asia gas through Kazakhstan to China, presents an opportunity to deliver to the PRC additional 25 bn cubic metres of gas annually through our country. As an addition to this project, gas packing of the Beineu-Bozoi-Shymkent trunk gas pipeline at the Bozoi-Shymkent section commenced in September 2013. Full completion of construction and commissioning of the gas pipeline second stage facilities with achievement of the designed capacity of 10 bn cubic metres annually is in the works for 2015.

Last year was also marked by transition of the relations in the oil and gas sector between Kazakhstan and Russia to a new level of quality. An intergovernmental cooperation agreement in the sphere of Russian oil deliveries to the PRC through the territory of Kazakhstan, Protocol to the intergovernmental agreement on cooperation in development of the Imashevskoye gas-condensate field located in the frontier zone of the two countries, and a number of other documents catalyzing the bilateral relationship were signed.

Reorganization in the company's Central Office became an important event in KMG's internal life. As a result of restructuring, a divisional system on each business area was introduced for optimizing the operations. The new structure of KMG conforms to the latest international corporate governance standards and will renders it possible to perform efficient management of the key subsidiaries, implementing a common oil and gas sector policy.

Among other equally important projects of KMG, there are the successful exploratory drilling at the Caspian Sea fields, opening of a bitumen plant in Aktau, ongoing modernization of the refineries.

In his Message to the people of Kazakhstan, the Head of the State, Nursultan Nazarbayev established the objectives of building a new domestic refinery, detailed re-estimation of the raw hydrocarbons reserves of the republic, strengthening exploration works with employment of the cutting-edge technologies from the world's leading specialized companies.

I strongly believe that the accomplishment of these objectives with the participation of KMG, and successful continued implementation of the company's current projects will facilitate progress of the national oil and gas sector in accordance with the best practices and promote steady development of the national economy.

**Faithfully yours,  
S. M. Mynbayev**

**Chairman of Management Board,  
JSC NC KazMunayGas**





# COMPANY OVERVIEW

**Joint Stock Company National Company KazMunayGas (KazMunayGas or KMG or Company)** is the national company for exploration, production, refining and transportation of hydrocarbons, representing the state in Kazakhstan's oil-and-gas sector. The Sovereign Wealth Fund Samruk-Kazyna JSC owns 100 percent of its shares.

JSC NC KazMunayGas was incorporated through the merger of National Oil and Gas Company Kazakhoil and National Company Oil and Gas Transportation based on Decree No. 811 dated 20 February 2002 of the President of the Republic of Kazakhstan.

According to KMG's Development Strategy for 2012–2022, the company's principal strategic goal is maximizing the shareholder value through increasing long-term value of assets and assisting to modernization and diversification of the national economy.

## MISSION

Maximizing the profits of the Republic of Kazakhstan from participation in the development of the national petroleum industry through:

- increasing KMG's long-term value, improving profitability, ensuring industrial safety;
- becoming an integrated oil and gas company competitive on the international market;
- socially-responsible conduct of business, support to domestic suppliers of goods, works and services, development of the local workforce.

## VISION

KazMunayGas is a highly efficient and competitive integrated oil and gas company meeting the highest standards of safety operations.

## AMBITIONS

Join the ranks of the world's top thirty oil and gas companies, increasing by 2022 the reserves of liquid hydrocarbons (oil and condensate) to 1,413 mn tons, the oil output – to 35.4 mn tons annually.

## STRATEGIC OBJECTIVES\*

KMG's Long-term Strategy determines areas of development on the main types of KMG's activities, sets quantitative and qualitative indicators for 2012–2022, providing for KMG's strategic sustainability and improvement in its economic efficiency indicators.

Achievement of KMG's strategic goals and accomplishment of the objectives related thereto will ensure creation of maximum profits for the Republic of Kazakhstan from participation in the development of the national oil and gas sector.

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\* In accordance with the KMG's long-term Strategy 2012–2022 as at the end of 2013.



КазМунайГаз

НАЧ УЗК

# COMPANY OVERVIEW

## GOALS AND OBJECTIVE OF KMG'S LONG-TERM STRATEGY FOR 2012–2022:

### In the oil and gas upstream sector:

1. Expanding oil and gas production to 35.4 mn tons annually and 1.5 bcm annually, respectively;
2. Growth in the reserves to 1.4 bn tons of oil and gas condensate;
3. Increasing the success of exploration works from the drilled exploration wells to over 25%;
4. Construction of appropriate infrastructure.

### In the oil and gas transportation sector:

1. Increasing the capacity of the export oil pipeline systems to 101 mn tons of oil annually;
2. Phased development of the national commercial fleet (both in Kazakhstan and overseas) - up to 13 mn tons/year;
3. Increasing gas transportation to 121 bn cub. m annually;
4. Modernization and development of trunk and regional gas-transportation systems.

### In the sector of oil refining and marketing of crude oil and oil products:

1. Increasing the crude processing capacity to 19 mn tons annually;
2. Increase in the oil conversion ratio up to 90%.
3. Bringing the quality of the motor fuels to the Euro 4, 5 standards;
4. Increasing the bitumens production capacity to 606 thousand tons/year;
5. Increasing the market share of retail sales of oil products to 30%.

### In the support sector and innovation-and-technology sector:

1. Creation of an infrastructure ensuring efficient implementation of oil-and-gas projects, including creation of the drilling company of KazMunayGas and construction of the North-Caspian Oil Spills Environmental Response Base.
2. Development of the mechanical engineering in Kazakhstan. Construction of a shipyard/dry dock, gas turbine power plant and attraction of foreign investment to create new mechanical engineering production facilities in the RoK.
3. Transfer of new technology, strengthening and development of R&D, increasing the workforce capacity.

### In the sphere of increasing the efficiency of management - creation of additional competitive advantages in the following areas:

1. Enhancing KMG's financial standing through strict control over the debt level and rational management of the owner's equity;
2. Improvement of the corporate governance system for bringing it to compliance with the requirements of the world's best practice;
3. Forming target asset structure by means of focusing on the core activities, maintaining control over support sector assets of strategic importance, consolidating the assets ensuring synergies, eliminating internal competition and reducing the number of management levels;
4. Implementation of the staff policy. Staff satisfaction of not less than 85%;
5. Development of the risk management system;
6. No industrial accidents, emergency prevention, decreasing the accident and occupational illnesses rate;
7. Creation of production capacity with the optimum level of energy-saving by means of increasing the energy efficiency of production, lowering the volumes of energy consumption and orga-

nizational management of energy efficiency;

8. Development of an integrated management system in the sphere of quality, environment protection, occupational health and safety.

9. Increasing the level of corporate social responsibility. Increasing expenditures for charity and sponsorship, participation in the implementation of governmental and industry social programmes, republic-wide measures.



# COMPANY OVERVIEW

## KMG'S PERFORMANCE INDICATORS VALUES FOLLOWING THE RESULTS OF 2013

Name	Unit	2013
Proven recoverable oil and condensate reserves *	<i>MMtpa</i>	811.3
Volume of oil and gas condensate production	<i>MMtpa</i>	22.63
Gas output	<i>bcm</i>	6.924
Volume of oil transportation by pipeline transport **	<i>MMtpa</i>	67.22
Volume of oil transportation by marine transport	<i>mn tons</i>	8.89
Gas transportation volume	<i>bcm</i>	110.14
Domestic gas transportation volume	<i>bcm</i>	12.86
Balanced refining throughput by RoK refineries accounted by KMG	<i>MMtpa</i>	11.87
Oil conversion ratio	%	
Atyrau Refinery		60
PKOP		74
PPCP		74
ROACE***	%	10.2
EBITDA margin***	%	18.0
Share of local content in the total volume of goods purchases	%	64
Share of local content in works and services	%	62
Corporate Governance Score	%	72
Labour efficiency, consolidated	<i>thousand KZT/pers</i>	38,559
Labour efficiency, oil production	<i>t/pers</i>	529
Labour efficiency, pipeline oil transportation	<i>t/pers</i>	7,024
Labour efficiency, tanker fleet	<i>t/pers</i>	30,300
Labour efficiency, gas transport	<i>mcm/pers</i>	16,760
Labour efficiency, oil refining ****	<i>t/pers</i>	1,950

\* Hydrocarbon liquids (oil and condensate) raw material base consolidated indicators, taking into account the interest of JSC NC KazMunayGas;

\*\* Taking into account transshipment volumes via BTL (crude oil and oil products), exclusive of CPC;

\*\*\* Exclusive of the investment projects being implemented on the 'carry' terms, and investments in projects that will not be engaged until 2016, and subject to a reduction in the financial liabilities using the available cash;

\*\*\*\* Complete consolidation taking into account TRG, starting from 2012.

## GOVERNMENT SUBSIDIES AND GUARANTEES

In 2013 the Company used, resorted to and had obligations in respect of no government subsidies, guarantee and/or security instruments similar thereto.

## CURRENT CONDITION AND DEVELOPMENT TRENDS OF KAZAKHSTAN'S OIL-AND-GAS INDUSTRY

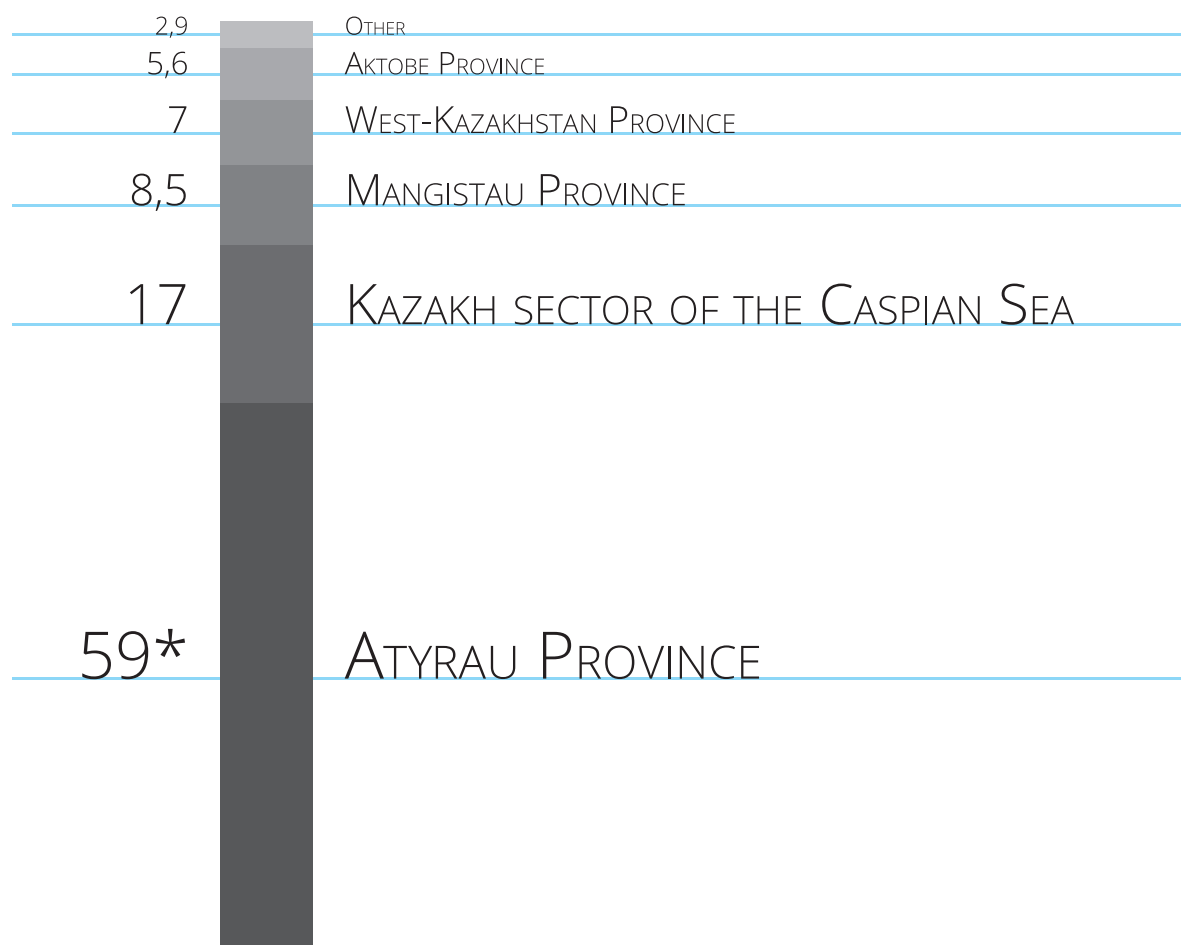
The Republic of Kazakhstan is one of the key sources of raw hydrocarbons for the global economy. As of 2013, Kazakhstan ranks 12th globally in terms of proven oil and gas condensate reserves.

	Country	Proven reserves volume, bn tons	Share in global reserves, %	Reserves life (reserves/production ratio), years
1	Venezuela	46.6	17.7	> 100 years
2	Saudi Arabia	36.5	15.8	63.2
3	Canada	28.1	10.3	> 100 years
4	Iran	21.6	9.3	> 100 years
5	Iraq	20.2	8.9	> 100 years
6	Kuwait	14	6.0	89.0
7	UAE	13	5.8	73.5
8	Russia	12.7	5.5	23.6
9	Libya	6.3	2.9	> 100 years
10	USA	5.4	2.6	12.1
11	Nigeria	5	2.2	43.8
12	Kazakhstan	<b>3.9</b>	<b>1.8</b>	<b>46.0</b>

BP STATISTICAL REVIEW 2014

# COMPANY OVERVIEW

**A CONSIDERABLE PORTION OF KAZAKHSTAN'S OIL AND GAS RESERVES IS ACCOUNTED FOR BY THE WESTERN PART, PARTICULARLY, THE CASPIAN OIL-AND-GAS-BEARING BASIN.**



\*SHARE IN TOTAL RESERVES, %

Attraction of foreign investment to the oil and gas sector has lead to growth in the oil production level over the past few years. In 2013 Kazakhstan ranked 17th globally with the production volume of 79.2 mn tons in 2012.

The bulk (around 85%) of the oil produced goes for exports; the main foreign trade partners of Kazakhstan on the crude oil market are the European countries – Italy, the Netherlands, France, Austria, Switzerland etc., and China as well.

Kazakh oil is transported for exports by oil pipeline transport, marine transport from the port of Aktau using oil tankers (mainly those the National Maritime Shipping Company Kazmortransflot JSC and Caspar - Caspiyskoye parokhodstvo, Baku), and by rail.

**The CPC oil pipeline** (32 MMtpa) with the total length of 1,510 km (of them 452 km constitute the Kazakhstan section) connects Kazakh oil field Tengiz with the oil terminal South Ozereyevka on the Black Sea, next to the port of Novorossiysk, Russia. 32.7 mn tons of oil were transported by the CPC oil pipeline in 2013, of which 28.7 mn tons is the Kazakh oil.

**The Atyrau – Samara oil pipeline** (18 MMtpa) with the total length of 697 km (of them, 535 km constitute the Kazakhstan section) provides access to the European markets across the territory of Russia along the Baltic Pipeline System, “Druzhba” oil pipeline system, and access to the port of Novorossiysk along the system of OJSC Transneft.

**Atasu – Alashankou oil pipeline** (12 MMtpa), 965 km in length, provides access to the Chinese market. The oil was commissioned in 2006 as part of implementing the first stage of the “Kazakhstan-China” oil pipeline project.

**Sea part of Aktau** currently affords the opportunity to transport Kazakhstan oil for exports across the Caspian Sea in the following directions:

- Aktau – Makhachkala and further along the Makhachkala-Novorossiysk to the Black Sea market;
- Aktau – Baku and further to the Black Sea ports (Batumi/Kulevi);
- Aktau – Neka (currently not in use).

The existing export capacity is sufficient for satisfying the requirements of the oil-producing industry of the Republic of Kazakhstan.

The oil-refining industry of the Republic of Kazakhstan is represented by three large enterprises:

**Atyrau Refinery (AR):** processing capacity is 5.0 MMtpa; the conversion ratio is 58%. For the moment, AR is the only refinery designed for the oil grades of West Kazakhstan fields.

**Shymkent Refinery (Petro Kazakhstan Oil Products, PKOP):** capacity is 6.0 MMtpa, conversion ratio is 76%. The enterprise has been designed for refining the oil from the fields consolidated by the PetroKazakhstan holding company – Kumkol, Kyzylkiya, Maibulak etc.

**Pavlodar Petrochemical Plant (PPCP):** the largest and most technology intensive refinery in Kazakhstan. The processing capacity is 6.0 MMtpa; the conversion ratio is 72%. The venture has been designed for the West Siberian oil specification, and connected to the Omsk – Pavlodar oil pipeline, therefore, 100% of consumption is Russian oil.

Following the results of 2013, 14.3 mn tons of crude oil were refined in the 3 refineries, or 100.6% vs the level of the last year. The three refineries produced the following out of the refined oil:

- gasoline - 2.660.4 thousand tons;
- diesel - 4.070 thousand tons;
- fuel oil - 3.243 thousand tons;
- jet fuel - 402.7 thousand tons.

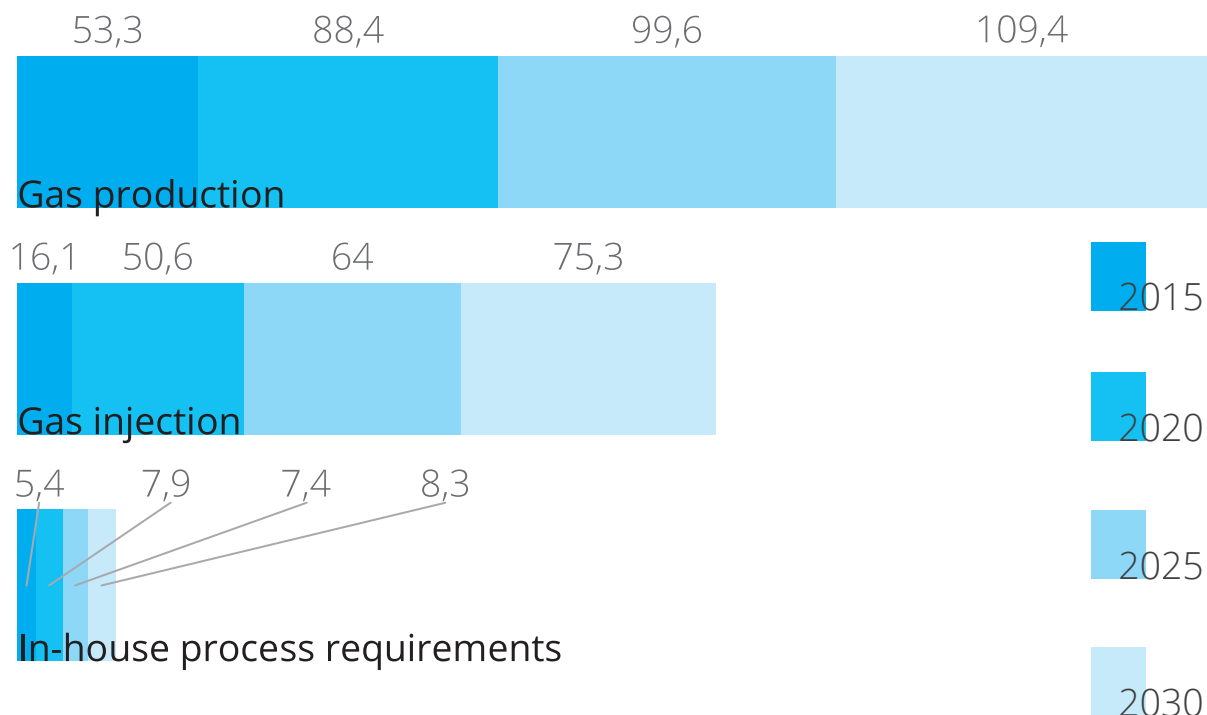
# COMPANY OVERVIEW

**IN TERMS OF PROVEN NATURAL GAS RESERVES IN 2013 THE REPUBLIC OF KAZAKHSTAN RANKS 20TH GLOBALLY.**

	Country	Proven reserves volume, bn tons	Share in global reserves, %	Reserves life (reserves/production ratio), years
1	Iran	33.8	18.2	> 100 years
2	Russia	31.3	16.8	51.7
3	Qatar	24.7	13.3	> 100 years
4	Turkmenistan	17.5	9.4	> 100 years
5	USA	9.3	5.0	13.5
6	Saudi Arabia	8.2	4.4	79.9
7	UAE	6.1	3.3	> 100 years
8	Venezuela	5.6	3.0	> 100 years
9	Nigeria	5.1	2.7	> 100 years
10	Algeria	4.5	2.4	57.3
11	Australia	3.7	2.0	85.8
12	Iraq	3.6	1.9	> 100 years
13	China	3.3	1.8	28.0
14	Indonesia	2.9	1.6	41.6
15	Norway	2.0	1.1	18.8
16	Canada	2.0	1.1	13.1
17	Egypt	1.8	1.0	32.9
18	Kuwait	1.8	1.0	> 100 years
19	Libya	1.5	0.8	> 100 years
20	Kazakhstan	1.5	0.8	82.5

*BP Statistical Review 2014*

Gas produced in Kazakhstan is mainly petroleum associated gas. For the purposes of rational mining and fullest possible recovery of liquids, a considerable portion of the gas produced is re-injected into the reservoir.

**FORECAST OF GAS PRODUCTION IN THE REPUBLIC OF KAZAKHSTAN, BCM**

Subject to the Agreement on Counter-Delivery between OAO Gazprom, NHC Uzbekneftegaz and JSC NC KazMunayGas of 27 December 2006, all gas imports are swapped with the Karachaganak exports at an equal price and in the same amounts.

Trunk gas-transportation infrastructure of the Republic of Kazakhstan is comprised of the main gas pipelines:

- 'Central Asia-Center' with the capacity of 60 bcm;
- 'Bukhara-Ural' with the capacity of 7.2 bcm;
- 'Kazakhstan-China' is a part of the 'Central Asia-China' trunk gas pipeline, intended for transporting the gas from the Galkynysh gas megafield (Turkmenistan) to China, with the existing capacity of 40 bcm and an option of expansion to 65 bcm.

Kazakhstan's gas-transportation infrastructure was engineered at the time of existence of the USSR, and was intended for transporting the Central Asia's gas to Russia. As a consequence of the transit nature of the gas-transportation infrastructure, a considerable part of the territory of the Republic of Kazakhstan remains without gas supply, especially the North Kazakhstan regions. Meanwhile, the implementation of the Kazakhstan – China trunk gas pipeline construction project at the Beineu-Bozoi-Shymkent section is aimed, among other things, to provide gas supply to the most densely populated regions of Kazakhstan.

# COMPANY OVERVIEW

## JSC NC KAZMUNAYGAS HOLDS LEADING POSITIONS IN KAZAKHSTAN'S OIL AND GAS SECTOR.

### SHARE OF JSC NC KAZMUNAYGAS IN KAZAKHSTAN'S OIL-AND-GAS INDUSTRY (%)

Business area		2013	2012	2011	2010	2009	2008
		%	%	%	%	%	%
Reserves <sup>1)</sup>	Year-end A, B, C <sub>1</sub> (proven) oil reserves, <i>tons</i>	776.2	787.2	778.6	791.3	781.4	706
	Year-end A, B, C <sub>1</sub> natural gas residual reserves, <i>bcm</i>	475.5	481.6	394.9	395.6	374.6	343.2
Production	Oil and gas condensate production, <i>thousand tons</i>	22,630	21,390	21,105	21,969	18,701	18,051
	Gas production, <i>mn cub. m</i>	6,924	5,528 <sup>2)</sup>	4,850	4,912	4,332	3,786
Oil transportation	by trunk oil pipelines, <i>mn tons</i>	67.22	65.79	66.87	65.83	64.18	60.65
	marine oil transportation from the port of Aktau, <i>mn tons</i>	5.1	5.9	5.9	6.1	7.1	2.6 <sup>3)</sup>
Natural gas transportation	by trunk gas pipelines, <i>bcm</i>	110.14	109.19 <sup>4)</sup>	110.6 <sup>5)</sup>	101.6	91.1	116.7
Processing	of oil, <i>thousand tons</i>	11,869	11,837	11,429	11,399	8,195	6,079
	of sour gas, <i>mn cub. m</i>	8,197	8,039	7,974	7,901	8,266	7,916
Retail sales	of petroleum products, <i>thousand tons</i>	1,266	1,002	917	543	295.7	361.7
	of natural gas, <i>mn cub. m</i>	10,564	10,023	8,045	5,989	5,008	5,465

1) Share of KazMunayGas in Kazakhstan's proven oil and gas condensate reserves (according to BP Statistical Review, 2013).

2) Natural and associated gas, taking into account the gas production volume of Karachaganak Petroleum Operating B. V. over 6 months.

3) 50 % of JSC NMSC Kazmortransflot in the Samruk-Kazyna JSC.

4) The Asia Gas Pipeline JSC transported 22,828 bcm of gas to China in 2012.

5) The Asia Gas Pipeline JSC transported 15.25 bcm of gas to China in 2011.

6) processing of gas in the OGPP (Orenburg Gas-Processing Plant), carried out by the KazRosGas LLP (50% – KMG, 50% – Gazprom).



# RESULTS

## KEY FINANCIAL INDICATORS

KZT mn

	2013	2012	2011	2010	2009	2008	2013 / 2012
Income, total							
including:	3,405,049	3,101,218	2,787,707	2,252,197	1,955,526	2,022,475	109.8 %
Income from sales of goods and rendering services	3,252,719	2,960,418	2,625,256	2,098,942	1,589,549	1,885,606	109.9 %
Costs total							
including:	3,206,860	2,982,379	2,689,116	2,065,663	1,765,068	1,678,475	107.5 %
Cost price of sold products and rendered services	2,354,109	2,090,818	1,836,061	1,409,001	1,050,463	1,199,360	112.6 %
Corporate income tax expenses (including EPT)	193,396	177,131	153,147	132,675	178,603	200,287	109.2 %
Net income after minority interest	440,955	369,420	422,422	305,309	110,904	298,291	119.4 %

## EXPLORATION

Among the top-priority areas for JSC NC KazMunayGas is reserves gain by means of geologic exploration works (GEWs). The four-year work of analyzing and systematizing geologic-and-geophysical materials on the Republic of Kazakhstan was completed in 2013. Based on these materials, top-priority areas of exploration have been determined. The plans are to undertake GEWs in the Atyrau, Mangyshlak, West-Kazakhstan and Aktobe Provinces.

Following the results of exploration works and revaluation of reserves on the contract areas, the consolidated raw hydrocarbons reserves gain in the Company amounted to 12.0 mn tons in 2013.

Contract for exploration on the Kansu area was signed between the RoK's MOG and KMG on 1 October 2013. Application for direct negotiations on the Kosbulak, Issatai area was filed with the RoK's MOG.

1 exploration well was drilled on the Zhambyl offshore area, and drilling of 1 deep subsalt well with the depth of 6,000 metres was started on the Urikhtau area in 2013. As a result of drilling the first exploration well Zhambyl-1, oil deposits were discovered.

**KEY PRODUCTION INDICATORS\***

	2013	2012	2011	2010	2009	2008	2007
Oil and gas condensate production, <i>thousand tons</i>	22,630	21,390	21,105	21,969	18,701	18,052 <sup>1)</sup>	16,689
Gas production, <i>mcm</i>	6,924	5,528 <sup>2)</sup>	4,850	4,912	4,332	3,786	3,532
Oil transportation by trunk oil pipelines <sup>3)</sup> , <i>mn tons</i>	67.22	65.79	66.87	65.83	64.19	60.63	50.8
Marine oil transportation <sup>4)</sup> , <i>thousand tons</i>	8,878	11,355	9,234	7,082	7,363	2,869	2,280
Gas transportation by main gas pipelines, <i>bcm</i>	110.14	109.19	110.6	101.65	91.1	116.7	114.2
Hydrocarbons refining, <i>thousand tons</i>	16,050	15,884	15,326	14,766	12,758	10,993	5,734 <sup>5)</sup>
Year-end A, B, C <sub>1</sub> (proven) oil reserves, <i>mn tons</i>	776.2	787.2	778.6	791.3	781.4	706	611.3
Year-end A, B, C <sub>1</sub> natural gas residual reserves, <i>bcm</i>	475.5	481.6	394.9	395.6	374.6	343.2	236.5
Average headcount as of 31 December, <i>pers.</i>	84,411	84,349	83,302	64,660	57,087	54,768	52,829

*\*may insignificantly differ when the data of the production blocks are approximated*

1) Consolidated oil uplift taking into account oil production by PetroKazakhstan.

2) Natural and associated gas, taking into account the gas production volume of Karachaganak Petroleum Operating B. V. over 6 months.

3) Includes the volume of oil transportation by the trunklines of JSC KazTransOil, BTL (100%) and transportation volumes of JSC North-West Pipeline Company MunaiTas (51%) and Kazakhstan-China Pipeline LLP (50%).

4) 2007–2008 - 50 % share of JSC NMSC Kazmortransflot.

5) Consolidated indicator – taking into account the Shymkent Refinery throughput and the acquisition in July, 2007 of the 49.72% share.

# RESULTS

## RESERVES

Whereas, as of 1 January 2013 the proven remaining recoverable oil reserves of JSC NC KazMunayGas (taking into account the interests) amounted to 787.2 mn tons of oil, at the end of 2013 this indicator amounted to 776.2 mn tons of oil. Change in the volume of the remaining recoverable reserves of oil over 2013 occurred due to production, supplementary exploration, revaluation of field reserves of KMG's assets and acquisition of a 0.07% interest in the Kashagan B. V.'s asset. In this respect, the total oil reserves additions (taking into account interests) amounted to 11.1 MMt.

## A, B, C<sub>1</sub> CATEGORY CONSOLIDATED (PROVEN) HYDROCARBON RESERVES<sup>1</sup> OF THE KAZMUNAYGAS GROUP

	As of 1 Jan 2014	Total increment	Production	As of 1 Jan 2014
Oil, <i>mn tons</i>	787.2	11.1	22.11	776.2
Condensate, <i>mn tons</i>	35.56	-0.01	0.409	35.14
Natural gas, <i>bcm</i>	481.6	-0.01	6.1	475.5

## GEOLOGIC EXPLORATION PROJECTS ON THE CASPIAN SHELF

JSC NC KazMunayGas links further buildup of the hydrocarbon feedstocks reserves to the resource potential of the Kazakhstan sector of the Caspian Sea.

Exploration projects on the Caspian and in the coastal areas are one of the top-priority business areas of KMG and its subsidiaries – JSC OOC KazMunayTeniz, N Operating Company LLP, JSC Atyraumunaygas, and Zhambyl Petroleum LLP.

KazMunayGas, jointly with foreign companies, is carrying out a set of prospecting and research works on a whole group of blocks of the Caspian Sea, including Khvalynskoye, Centralnaya, Zhemchuzhiny, Zhambyl, N project, Satpayev. Following the results of the performed seismic surveys, new prospects and deposits on the Kazakhstan sector of the Caspian Sea exploration areas have been found (Makhambet, Bobek projects).

1 exploration well on the Zhambyl offshore area was drilled in 2013. As a result of drilling the first exploration well Zhambyl-1, oil deposits were discovered.

Drilling on the Satpayev structure was put off until 2015.

1) Calculated according to the Instruction on Qualification of Fields Reserves, Oil and Natural Hydrocarbon Gas Prospective and Forecast Resources (approved by Order No. 283 dated 27 October 2005 of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan).

## JSC NC KAZMUNAYGAS

### EXISTING PROJECTS

#### 'N' Project

'Addendum to the 'N' Area Prospecting Works Design' was developed in 2013. Due to the absence of marine drilling rigs, addendum to the Prospecting Works design provides for rescheduling of drilling of the third exploration well X-1 from 2013 to 2015. Over the last years, a large amount of geologic-and-geophysical surveys was undertaken on the 'N' area, such as CDPM 2d seismic prospecting in the amount of 6.016.675 lin. km and 3D – in the amount of 920 sq. km on the Rakushechnoe-offshore structure. R-1 and N-1 exploration wells were drilled on the Rakushechnoe-offshore and Nursultan structures, topical reports on the works done were prepared. Based on the results of assessment of the petroleum potential of the N area, basin simulation was performed, risks assessed and structures ranged.

Further strategy of appraisal works on the Rakushechnoe Offshore block structure is being determined.

In 2013 interpretation of 3D seismic acquisition materials in the amount of 920 sq. m, assessment of the petroleum potential of the 'N' area taking into account the geologic-and-geophysical materials of the adjacent areas were performed; addendum to the 'N' area prospecting works design was developed, works for geotechnical surveys at the AR-1 appraisal well construction site commenced. Addendum No. 6 to the N Area Subsoil Use Contract with regard to the first extension of the exploration period by 2 years (No. 3979-YBC of 28 Dec 2013) was signed.

#### 'Satpayev' Project

In 2013 the works for 'Re-interpretation of the 'Satpayev East' structure 2D seismic acquisition data for improvement of the subsalt image for the purpose of appraising Paleozoic deposits' were performed. Works on operational environmental monitoring by climatic season for 2013 were completed. Agreements made on procurement of long-lead items and their delivery, required for construction of the STP-1 'Satpayev' exploration well.

Preparation for drilling the new field wildcat on the Satpayev STP-1 structure was made, technical design for the well construction was drawn up in 2013. Due to the absence of a drilling contractor, the works for drilling the new field wildcat on the Satpayev STP-1 structure were put off until 2014. Rescheduling of the drilling has been agreed with the RoK's MOG, and addendum No. 2 to Contract No. 3575 of 16 June 2010 was signed (No. 3984-YBC of 28 Dec 2013).

#### 'Zhambyl' project

New field wildcat on the Zhambyl structure with the depth of 2,200 metres was drilling in 2013. Spudding-in: 20 May 2013. 2 prospects in the Jurassic deposits found. Oil and gas flows to the surface were obtained during testing the prospects.

Address on extending the exploration period by 2 years until 21 Apr 2016 and rescheduling construction of the planned exploration well from 2013 to 2014 sent to MOG. Scheduled 3D seismic prospecting works in the amount of 900 sq. km on the Zhambyl and Zhetysu structures were also put off until 2014. The plans are to drill on the Zhetysu structure in 2014.

# RESULTS

## NEW PROJECTS

### **'Zhenis' project**

In 2013 geologic-and-geophysical information for discussions with Petronas was prepared. DataRoom held with the participation of Lukoil's representatives, where the appropriate geologic-and-geophysical materials were considered. Actions for determining partnership and registering the subsoil use right are underway.

### **'Khvalynskoye' Project**

Discussions with the governmental agencies of the Russian Federation at the level of the Inter-ministerial Commission are underway to develop the terms of subsoil use at the Khvalynskoye field and draft the PSA.

### **'Centralnaya' Project**

Authorized entities of the RoK and RF (JSC NC KazMunayGas and CentrKasneftegaz OOO) established a joint venture – Oil & Gas Company Tsentralnaya OOO - which in December 2013 sent an application to the RF's Federal Agency on Subsoil Use for a subsoil use license in order to carry out supplementary exploration of the 'Centralnaya' field. Analysis of the acquired data is being performed. Interpretation of the geologic-and-geophysical data and assessment "Integrated interpretation of Geologic-and-geophysical Data and Assessment of Geological Risks of the Project" were completed.

### **'Issatai' project**

The Prospecting Works Design was approved in the Committee for Geology and Subsoil Use of the Republic of Kazakhstan. Defense with the CCED (Central Commission for Exploration and Development of the RoK's Ministry of Oil and Gas). Application to the Ministry of Oil and Gas of the Republic of Kazakhstan sent for obtaining the subsoil use right on the terms of exploration and production.

### **'Abai' project**

The Prospecting Works Design was approved in the Committee for Geology and Subsoil Use of the Republic of Kazakhstan. Defense with the CCED. Further work on procurement of subsurface rights is being conducted. Main conditions for procurement of subsurface rights have been agreed with the Ministry of Oil and Gas of the Republic of Kazakhstan in a Protocol of Direct Negotiations.

### **'Ustyurt' project**

The Prospecting Works Design was approved in the Committee for Geology and Subsoil Use of the Republic of Kazakhstan. Defense with the CCED. Today, commercial terms of cooperation with strategic partners are being agreed.

## KAZMUNAYTENIZJSOOC

### 'Zhemchuzhiny' project

By the results of 3D seismic data processing and drilling of 3 exploration wells in 2013 the "Assessment of oil reserves at Khazar field" and "Feasibility study of the oil recovery factor" were conducted (Minutes #1268-13-Y dated March 12, 2013, State Reserves Committee).

State Reserves Committee of the Republic of Kazakhstan placed on the books the recoverable reserves at Khazar Field, Zhemchuzhina contract territory.

Over July 16 to November 18, 2013 Naryn-1 exploration well and Auezov-2 appraisal well were drilled with attraction of "Astra" offshore SEFDR.

Drilling at Naryn structure in middle Jurassic deposits led to tapping of thin deposits with non-commercial reserves. A Notification of Hydrocarbons Discovery was submitted to the Ministry of Oil and Gas. Auezov-2 appraisal well penetrated productive formations in a section of middle Jurassic – Permian Triassic deposits.

Lab researches of Auezov-2 and Naryn -1 data are being conducted.

Commitments on Zhemchuzhina PSA Operating Program in the part of drilling of exploration wells at Khazar, Auezov, Tulpar and Naryn formations were met.

Decision-making on a concept of facility construction at Khazar field is expected in 2014.

### 'Kurmangazy' project

Negotiations with Rosneft on expansion of the Kurmangazy contractual territory and proceeding of geological exploration are being conducted.



# RESULTS

## JSCATYRAUMUNAYGAS

### 'Makhambet' project

Over the reporting period 3D seismic works were conducted and 3D seismic data interpreted. A drilling location of the first exploration well at Makhambet formation was identified. Geotechnical survey at this drilling location of the first exploration well commenced. Drilling of an exploration well to subsalt deposits was transferred to 2015.

### 'Bobek' project

In 2013 3D field seismic survey in the amount of 322 full km<sup>2</sup> were completed. CCED of RoK MOG considered an amendment to a draft exploration works implying first extension of exploration for 2013–2014.



## ONSHORE EXPLORATION PROJECTS

Exploration works for the purpose of identifying new structures, identifying the most prospective oil and gas traps, refinement of the geologic model of the existing structures were carried out in 2013. The works were conducted in accordance with the approved annual work plans for the SDEs and JVs of JSC NC KazMunayGas.

### **'Integrated Study of RoK's Basins' (KIOBR) project**

In 2013 all works under Agreement No. 1-09-YBC//207-33 of 3 July 2009 on comprehensive research on 15 sedimentary basins of the Republic of Kazakhstan were completed. All reports were defended at the meeting of the SEC (Science and Engineering Council) of the Committee for Geology and Subsoil Use of the RoK's MINT. Cost of acquisition of the geologic-and-geophysical information from the Committee for Geology of the RoK's MINT in the amount of 1% or 72,831,948 KZT was paid. All reporting materials on basins were developed and submitted to Republic's Geological Information Centre Kazgerinform in accordance with the established procedure.

### **'Aerial Magnetic Mapping of the RoK's Sedimentary Basins' project**

Geological report by the results of a highly-accurate aeromagnetic survey of the Pre-Caspian Depression conducted in 2011–2012 (230,000 running km with the plan of 225,000 running km) was developed and defended. The report was put in storage to the funds of the Committee of Geology and Subsurface Use, RoK MINT.

### **R&D project**

Due to the optimization of the quality and names of the thematic R&D works in the "Oil & Gas Exploration" area for 2012–2015, an amendment was made to the existing agreement No. 484-33//408-14/2011 of 27 Oct 2011.

In 2013 supplementary agreement #3 to the "Development of Drafts Oil and Gas Explorations Works including pre- EIA on new prospecting sites" Agreement was signed.

In 2013, the performance of Agreement R&D #485-32//409-22-2011 dated 27.10.2011 was monitored towards "Development System Enhancement and Management including scientific and expert tracking on major projects (Kashagan, Karachaganak, Tengiz)". Reports on Work Assignments to the total amount of KZT 547,438,000 (with VAT) were considered and approved based on relevant Delivery-Acceptance Acts and this conforms to 100% budget development.

## JSC NC KAZMUNAYGAS

### **EXISTING PROJECTS**

JSC NC KazMunayGas associates the buildup of reserves with the resource potential of the Urikhtau oil-and-gas-condensate deposit. This onshore project appeared to be one of the high-priority business areas of JSC NC KazMunayGas and its subsidiary – LLP Urikhtau Operating.

### **'Urikhtau' project**

In 2013 works on wells Y-3, 4 and 5 were conducted in southern and south-eastern parts of fields. Testing resulted in influxes from KT-I sediments. Currently, Y-5 well is being drilled with the target depth of 6,000 km in the central part to the north of the field. Devonian-Turnesian sediments are the target ones. Well drilling started 13.07.2013. Well depth – 5,011m. The well penetrated

# RESULTS

sub-salt sediments in the interval of 2,545 – 5,011m. Devonian sediments were penetrated at depth of 4,948 m. Core was selected in the well and the results of core analysis show the the Famennian age of penetrated sediments. The well is still being drilled.

In 2013 the permit was received to expand geological allocation of 239.95 km<sup>2</sup> up to the basement. Development of the “Construction of the oil rim at Urikhtau field upon pilot production” and “Integrated development of the Urikhtau oil and gas condensate field upon pilot production including EIA and public opinion” Projects is under completion. Industrial facility near Zhanazhol camp is under construction.

## **‘Imashevskoye’ project**

KazRosGas has been appointed as an operator. RoK Government Decree is expected.

## **‘Kansu’ project**

On November 15, 2012, direct negotiations with the RoK Ministry of Oil and Gas for acquisition of subsurface rights at Kansu site were conducted.

On March 15, 2013, a Central Commisision for Exploration and Development agreed upon the Project of Exploration Works at Kansu site.

On April 2, 2013 the Project of Exploration Works at Kansu site was approved in the RoK Committee of Geology and Subsurface Use.

Contract for Exploration on the Kansu Area was signed between the RoK’s Ministry of Oil and Gas and JSC NC KazMunayGas on 1 October 2013.

Currently, works on establishment of KMG-Kansu Operating, Kansu project operator, are being conducted. Now, JSC NC KazMunayGas is a subsurface user.

## **NEW PROJECTS**

### **Cooperation with Petrovietnam**

In 2009 the Strategic Cooperation Agreement was signed between JSC NC KazMunayGas and Petrovietnam Oil and Gas Corporation of Vietnam. Supplement to the Agreement was signed on 6 April 2012. On 13 July 2012 a meeting of the management of Petrovietnam and KazMunayGas was held, which resulted in signing a Technical Services Agreement. In September, 2012 visit of President of the Socialist Republic of Vietnam to KMG’s office took place, a Memorandum of Understanding between Petrovietnam and KMG was signed.

### **‘Shetpe’ Project**

Memorandum of Understanding signed. Technical-and-economic assessment of the project prepared. Obtainment of the subsoil use right is planned.

### **‘Orken’ Project**

Memorandum of Understanding signed. Technical-and-economic assessment of the project prepared. Prospecting Works Design developed, public consultations held. Obtainment of the subsoil use right is planned.

**'Pribrezhnoye' Project**

Memorandum of Understanding signed. Technical-and-economic assessment of the project prepared. Obtainment of the subsoil use right is planned.

**'Korolevskoye' Project**

Memorandum of Understanding signed. Technical-and-economic assessment of the project prepared. Obtainment of the subsoil use right is planned.

**'Samtyr' Project**

Memorandum of Understanding signed. Technical-and-economic assessment of the project prepared. Prospecting Works Design developed, public consultations held. Obtainment of the subsoil use right is planned.

**'Zhilanshik' Project**

Memorandum of Understanding signed. Technical-and-economic assessment of the project prepared. Public consultations held. Obtainment of the subsoil use right is planned.



# RESULTS

## KAZMUNAIGAS EP JSC (EMBAMUNAIGAS JSC, UZENMUNAIGAS JSC)

JSC NC KazMunayGas links further buildup of the hydrocarbon reserves to the supplementary exploration of the license blocks by its subsidiary KazMunaiGas Exploration Production.

### 'Uzen-Karamandybas' project

SZT-1 well was drilled on the Tenge North-West. Total depth of the well is 3,505 m. The Triassic part of the section (around 300 m) is supposed to contain oil and gas intervals. Log data were processed for the purpose of justifying potential zones to be tested, 3 zones to be tested for fluid content were identified. Production string was set to the depth of 3,500 m. The well was temporarily abandoned until case hole testing.

Review of the performed exploration works on the Block was conducted. The matter of acquiring geologic-and-geophysical materials on the deposits removed from the Uzen-Karamandybas geological allotment (Turkmenoi, Asar, Burmasha, Zhetybai East) is under examination. Analysis of the geologic-and-geophysical knowledge of the block has been performed.

Issue-related works on summarizing and analyzing geologic-and-geophysical materials were performed. Subject to resolution of KMG EP's SEC (28 Nov 2013), the following was noted for the Uzen-Karamandybas zone and the adjacent territory: bedded structure of the Upper Paleozoic section, presence in it of sufficiently dynamic reflections and possibility of formation of anticlinal and non-anticlinal traps in it. 2 main structural zones of interest for further detailed elaboration of the geology aspects were identified. On the VI<sub>1</sub> horizon, in the zone of the Karamandybas dome fold an anticline structure was identified, presumptively, a really large. Further, in the zone of the Tenge structure and to the north, a series of local elevations was identified at the level of the Triassic formation. Further detailed study of these prospective features was recommended, based on 3D seismic acquisition, for determining the opportunity of sinking a 5,500 m stratigraphic well for surveying the pre-Jurassic complex.

### 'Liman' project

Final results of 3D interpretation on the Novobogat SE have been obtained; the report 'Current estimation of oil and gas reserves of the Novobogat SE area' has been defended in the RoK's State Reserves Committee, and the reserves has been entered in the books. Drilling of the early-producing wells with the target depth of 1,500 m each, well G-2 Novobogat South-East (supra-cornice) with the total depth of 1,200 m was completed. Testing of the IV zone within the 1,052 – 1,057 m interval is underway. Drilling of the G-5 wildcat of the Novobogat South-East area was completed with the bottom hole at 1,328 after tapping of the target horizon. Testing of the I zone within the 1,172 – 1,179 m interval is underway. Drilling of PR-1 wildcat of the Novobogat South-East area was completed with the target depth of 2,500 m, the total depth is 1,826 m, drilling goes on. Technical designs with EIAs for construction of wildcats on the Novobogat SE (supra-cornice) area with the target depth of 1,500 m and for construction of wildcats on the Novobogat SE (subsalt) area with the target depth of 2,500 m have been developed.

**'P-9' Project**

Taking into consideration negative results of the five wells drilled in 2011, all exploration works scheduled for 2012 have been suspended. Analysis and consolidation of 2D/3D-CDPM seismic data results and drilling results as well were conducted. In the end of the reporting period it was resolved to complete the works of an exploration period and preparation of a report on return of a territory.

**'Taisoigan' Project**

Exploration program for the Taisoigan block (Uaz area) has been considered at a meeting of the CCED of the RoK's MOG. 3D-CDPM seismic prospecting has been carried out on the Bazhir structure in the amount of 86 full sq. km with a view to studying and refining the geologic aspects of the supra-salt (Triassic and Jurassic-Cretaceous deposits) complex on the Bazhir structure. 3D CDPM seismic data processing and interpretation works on the Bazhir structure of the Taisoigan block in the amount of 86 sq. km have been completed. Drilling of well U-1 with the total depth of 1,366 m has been completed. Target horizon – Kungurian sediments – has been tapped at a depth of 1,330 m. Core has been sampled from the 1,170 – 1,288 m intervals. Testing of potential reservoir beds with a view to determining the fluid content is underway.

**'Karaton-Sarkamys' block**

"Karaton-Sarkamys Block Prospecting Program" has been approved. 3D-CDPM seismic prospecting on the Severnyi, Bulatai, S. Nurzhanov (northern limb) in the amount of 160 sq. km have been conducted. Interpretation of the 3D seismic data on the Ansagan cube have been completed, the stage of processing and interpretation of Tengiz 3D data. Technical Designs with EIAs for construction of wildcats on the Kenaral structure with the depth of 3,000 m and Dosmukhambetovskoye structure (eastern limb) with the target depth of 3,500 m.

In 2013 Keneral #1 and C-1 Severnaya wells were drilled in the south-eastern and southern parts of the territory, relatively. Keneral #1 well with target depth of 3,100 m (target horizon - Kungurian stage) was drilled to 2,971 m. C-1 well Severnaya with target depth of 3,400 m (target horizon – Kungurian stage) was drilled till to 3,386 m.

Target horizon in both wells was penetrated (Kungurian stage sediments). All necessary geological and geophysical surveys in wells were conducted. By the results of a complex analysis of drilling data and GIS, both wells were liquidated for geological reasons.

**S. Nurzhanov Field**

Drilling of wildcat No.701 on the S. Nurzhanov field has been completed. Based on the well logging, 3 zones were identified for testing: 1,893 –1,905 m; 1,874 –1,882 m; 1,862 –1,865 m, 1,854 –1,860 m and 1,842 –1,849 m. Facility 1 is being tested within the 1,893 –1,905 m interval. Target horizon – Valanginian. The target depth is 2,000 m, total depth is 2,000 m. Testing of the zones has been commenced.

# RESULTS

## **Makat Eastfield**

Drilling of wildcat No. 104 (1,425 m) on the Makat East field has been completed, the total depth is 1,425 m. Testing of the III zone is underway, where 3 zones have been identified:

Zone 1 – 1,332 – 1,337 m interval; gas inflow of 6,893 m<sup>3</sup>/day at 9 mm choke was received;

Zone 2 – 1,290 – 1,296 m interval; oil flow to surface was received, oil gravity is 0.750 g/cm<sup>3</sup>;

Zone 3 – 1,276 – 1,282 m interval; oil flow to surface of 25.7 m<sup>3</sup>/day received.

## **West Prorva field**

Drilling of wildcat No. 401 on the West Prorva field has been completed. The target horizon is Kungurian. Total depth – 3,515 m. Based on the well logging, 4 zones were identified for testing: 3,370 – 3,394 m; 3,239 – 3,240 m; 3,187 – 3,190 m; 3,045 – 3,048 m and 3,034 – 3,038 m. The well passes on to 2013 in testing.

## **Novobogat West field**

Wildcat No.20 of the Novobogatinsk West field. Total depth – 2,590 m. Based on the results of the well logging, no potentially oil-bearing horizons have been identified, the well has been abandoned. Works on reprocessing of 3D data, simultaneous inversion and litho-fluid classification of models of the S. Nurzhanov, Makat East, West Prorva, Novobogat S. E. and Kenbai fields in the amount of 545 km<sup>2</sup> are underway.

## **ACQUIRED ASSETS OF KAZMUNAIGAS EP JSC**

### **ZharkamysEast - 1 block**

2 wells were drilled on the Tuzkum structure (RA-1-T and RA-2-T) during 2011–2012 at the site. Lower Carboniferous deposits were tapped in the RA-1-T well with the bottom hole at 4,750 m. No intervals for case hole testing were identified. Depth of the RA-2-T well amounted to 4,502 m, Lower Carboniferous (Visean), Middle Carboniferous and Lower Permian (Artinskian) deposits were tapped in the subsalt part of the section. Based on well logging, zones to be case hole-tested were recommended. 2 intervals – 4,303 – 4,315 m and 4,227 – 4,280 m (Middle Carboniferous) - were actually tested jointly. Poor flow of viscous oil to the surface was produced. The well was abandoned. Final report on the results of exploration works at the Zharkamys East was considered. Undoubtedly, the encouraging results obtained on the RA-2-T Tuzkum well let us rely on continuing works in this zone to some extent. Accordingly, recommendations to the 2014 work plan have been issued, for drilling a wildcat on the Tuzkum area, with the target depth of 5,600 m. Consent from the CCR&R is awaited.

### **Temirblock**

As for further operation on the block, the issues of further joint development are being considered. In the reporting period the Amendment to the Contract's Work Program was agreed (MOG, RoK). Works on processing and interpretation of the 2012 3D data (200 sq. km) are underway. Works on depth migration have been completed (in data processing cycle). Works on re-interpretation of 3D cube data have been conducted.

**Tereskenblock**

Analysis and consolidation of results on 2D-CDPM seismic survey within the block were conducted. The results were shown in the report "On Results of Exploration Works Performed on Teresken (R-24) Contract Area during 2006–2012 Exploration Period".

**Rozhkovskaya (Fyodorovsky block)**

Reprocessing of the 3D seismic acquisition data in the amount of 952 km<sup>2</sup> has been carried out (on the Zhaik, Rubezhinskaya, Rozhkovskaya areas – 747 km<sup>2</sup>; on the Chinaryovskaya area – 205 sq. km). Temporary treatment has been completed and downhole treatment was continued.

At Rozhkovskaya area 3 wells were drilled (№11, 24 and 21). Upon well #11 testing (actual depth – 4,503 m), influx of gas condensate was received. Testing in well # 21 resulted in gas and condensate influx.

To plan further works in the block it is necessary to give full and unbiased assessment of the results of well drilling in 2013 and after that to determine the opportunities for further operation. Development of the report on geological substantiation of selection of the structural lithologic zone at the Fyodorovskiy block for injection of acid gas and associated water produced at the Rozhkovskaya development has been completed.

**Karpovsky North block**

Report on the results of CDPM-3D seismic prospecting on the Orlovskiy and Melovoi areas. In the reporting period CK-1 Melovaya and CK-2 Orlovskaya wells were drilled. In CK-1 well, preparations for testing are being conducted at 5,723 m depth. CK-2 well is being drilled, depth – 4,340 m (20.12.2013). Further operations in these areas will be stipulated by final and full results of drilling and testing within these 2 wells.

**White Bear (North Sea)**

Drilling of the White Bear well has been completed. Total depth of the well is 5,445 m, with the target depth of 5,969 m. Analysis of the data is being performed.

**THE ROMPETROL GROUP****'Zegujani' Project**

Zegujani block is located in the eastern part of the South-Carpathian submontane trough, on the territory of the Getic Basin. 1 exploration well (CAT-1) was drilled with a total depth of 4,127 m. The well has been liquidated as there are no any signs of hydrocarbons based on logging results.

**'Focsani' Project**

The Focsani exploration block is located in the South-East of Romania. Drilling of well KAZ-1 on the Fetyaska structure, begun in 2012, was completed in 2013.

Total depth of the well made up 4,965 m. In September 2013 the well was conserved.

**JSC MANGISTAUMUNAIGAZ****Current projects Akkar North, Karagiye North.**

Drilling of Karagiye North No.27 was completed (3,900 m target depth).

# RESULTS

## Oimasha Projects

Seismic prospecting on the Oimasha field were carried out with the total 3D survey area of 156 km<sup>2</sup>. 3D-CDPM seismic survey were processed and interpreted.

## KAZAKHOIL AKTOBE LLP

### Alibekmolafield

In 1Q 2013, the geologic report following the results of the works done in 2012 using the new multi-level VSP technology in 3 wells of the southern zone of the Alibekmola field was accepted. Geologic aspects of the net pays were refined. In September 2013 the NIPIneftegas JSC began works for re-estimation of oil, gas, condensate reserves, associated components, and preparation of the FS of the Alibekmola field oil recovery factor. In estimating the oil and gas reserves, the objective data of MA-VSP (multi-azimuth vertical seismic profiling) should be used as the base materials. The term of the agreement was extended to 1 Nov 2014.

### Kozhasai field

NIPIneftegas JSC continued works for the "Kozhasai Field Reserves Revised Estimation" (signed in May 2012). Currently, the following works are completed:

- general field information;
- geological composition of an area and a field;
- geologic works;
- composition and properties of oil, gas and condensate;
- composition and property of formation waters;
- physico-lithological characteristics of producing reservoirs by the results of core analysis;
- methods and results of GIS data interpretation;
- oil and gas content;
- creation of a geological field model;
- field development data;
- phased work on Feasibility Study of the oil recovery factor;
- completion of works– March 31, 2014.

In 2012, concurrently with MA-SPworks (Alibekmola field) the implementation of the Program of Processing and Re-interpretation of 3D seismic survey based on Kozhasai field data was commenced.

Reprocessing of the 3D seismic using the leading-edge software technology - "Wave Duplex" package - was completed in 2013. Survey area is 45 – 50 km<sup>2</sup>.

In the latter half of the year works on re-processing of 3D seismic survey using a different innovative technology named "Diffractive multifocusing" were commenced. Completion - February 2014.

### Kazakhturkmunay LLP

Revised estimation of the Yelemes West field reserves is underway.

## JSC KAZTRANS GAS

### **Amangeldy project**

Gas and condensate production at the Amangeldy field is underway in accordance with the "Amangeldy Gas-and-condensate Field Commercial Development Project" approved in 2007.

Preparation to a new Zharkum field development in underway.

In 2013 3D seismic surveys in the amount of 50 km<sup>2</sup> at Anabai field resulted in preparation of a report.

A new Airakty 8 appraisal well has been drilled but no gas influx in the expected producing formation has been received without acidization method. The well is in testing.

Drilling of 2 planned by the Operator exploration well at Sultankuduk and Koskuduk structures was transferred to a later period.





# RESULTS

## OIL AND GAS PRODUCTION

### OIL PRODUCTION

The consolidated uplift of oil and gas-condensate in the JSC NC KazMunayGas group of companies amounted to 22,630 thousand tons in 2013, with the plan of 23,320 thousand tons (a 690 thousand tons reduction) or 97 % of the plan. As compared to 2012, in 2013 the consolidated uplift of oil and condensate of the companies taking into account the interest of JSC NC KazMunayGas increased by 1,240 thousand tons, or 5.8%, mainly owing to the growth of production volumes in TCO, which is due to the rise of the level of reliability and productivity as a result of successful scheduled overhauls of the units of the Integrated Process Line (IPL) and increase in the daily capacity of the Second Generation Plant (SGP); and growth in production volumes in MangistauMunaiGaz and Kazakhturkmunai owing to the timely implementation of administrative-and-technical measures for maintaining and increasing the production volume.

In 2013 performance below targets of the consolidated oil production plan was registered in the KazMunaiGas EP JSC (Ozenmunaygas JSC, PetroKazakhstan Inc. JSC and Karazhanbasmunai JSC), KMG Kashagan B. V. (Kashagan), Kazakhoil Aktobe LLP.

In 2013 the consolidated oil production (taking into account the interests in the subsidiary and dependent entities, and joint ventures) of the KazMunaiGas EP JSC amounted to 12,397 thousand tons, with the plan of 12,597 thousand tons (a 200 thousand tons reduction) or 98.4 % of the plan.

In 2013 the consolidated oil production of the Tengizchevroil LLP, taking into account the interest of JSC NC KazMunayGas, amounted to 5,421 thousand tons, with the plan of 5,210 thousand tons (performance above the target by 211 thousand tons), or 104% of the plan.

JSC NC KazMunayGas accounted for 27.7% of oil production in the republic as a whole. A total of 81.8 mn tons of oil were produced in Kazakhstan in 2013.

# RESULTS

## OIL AND GAS CONDENSATE PRODUCTION IN COMPANIES TAKING INTO ACCOUNT THE INTEREST OF JSC NC KAZMUNAYGAS

thousand tons

Name	2013	2012	2011	2010	2009	2008	2007	2006
KazMunayGas Exploration Production	8,058	7,776	7,911	8,780	8,978	9,486	9,548	9,551
KazTransGas (Amangeldy Gas)	22	21	22	24	26	26	26	-
Kazakhoil-Aktobe (50%)	575	626	570	488	468	380	435	509
Kazakhturkmunai (51%)	120	119	118	116	113	111	129	163
PetroKazakhstan (33%)	1,759	1,845	1,951	1,999	2,077	2,109	2,238	-
Kazgermunai (50%)	1,554	1,562	1,500	1,551	1,601	1,570	1,527	-
Karazhanbasmunai (50%)	1,026	1,019	990	970	933	914	-	-
Tengizchevroil (20%)	5,421	4,842	5,168	5,183	4,505	3,455	2,786	2,664
MangistauMunaiGaz (50%)	3,038	2,960	2,875	2,860	-	-	-	-
Karachaganak Petroleum Operating b.v. (10%)	1,049	619	-	-	-	-	-	-
KMG Kashagan b.v. (16.88%)	8	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>22,630</b>	<b>21,390</b>	<b>21,105</b>	<b>21,971</b>	<b>18,701</b>	<b>18,051</b>	<b>16,689</b>	<b>12,887</b>



## GAS PRODUCTION

The consolidated production of natural and associated gas in the KazMunayGas group of companies amounted to 6,924 Mcm in 2013, with the plan being 6,597 Mcm (+ 327 Mcm) or 105% of the plan. As compared to 2012, the consolidated production of natural and associated gas in the JSC NC KazMunayGas group of companies in 2013 increased by 1,396 Mcm or 25.3%.

## GAS PRODUCTION IN THE ENTITIES TAKING INTO ACCOUNT THE PARTICIPATORY INTEREST OF JSC NC KAZMUNAYGAS

*mn cub. m*

Name	2013	2012	2011	2010	2009	2008	2007	2006
KazMunayGas Exploration Production	797	770	844	890	932	1,018	1,098	1,181
Kazgermunai	260	258	259	258	260	262	276	118
Tengizchevroil	2,910	2 539	2,704	2,724	2,338	1,798	1 445	1,382
Kazakhoil-Aktobe	283	183	150	141	136	107	140	224
MangistauMunaiGaz	263	271	256	227	-	-	-	-
Karachaganak Petroleum Operating b.v.	1,725	429	-	-	-	-	-	-
Others	658	1,507	637	672	666	601	573	319
<b>TOTAL</b>	<b>6,924</b>	<b>5,528</b>	<b>4,850</b>	<b>4,912</b>	<b>4,332</b>	<b>3,786</b>	<b>3,532</b>	<b>3,224</b>

In accordance with the Program for Development of Gas Industry of the Republic of Kazakhstan for 2004–2010, with a view to providing the consumers of the republic's south region with gas and ensuring energy security, JSC KazTransGas conducts exploitation of the Amangeldy group of gas fields in Zhambyl Province under the Hydrocarbons Exploration and Production Contract of 12 Dec 2009.

Within the framework of this project commercial exploitation of the Amangeldy field and development of other fields of the Amangeldy group is carried out, including a complex of exploration and seismic works, reserves calculation, development of test production projects, projects for construction of producer wells and field surface facilities.

LLP Amangeldy Gas (a subsidiary of JSC KazTransGas) is carrying out development of the Amangeldy gas and condensates field, located 170 km to the north from the city of Taraz.

Development of the Amangeldy field began in 2001, first gas to consumers in Taraz was supplied on 23 October 2003. Since the beginning of exploitation of the Amangeldy gas-condensate field through 2012, 2,795 bcm of gas and 221.6 thousand tons of condensate were produced.

Over 2013, 321,821 thousand m<sup>3</sup> of natural gas were produced, with the plan of 321,200 thousand m<sup>3</sup> (100.2%), condensate - 21.8 thousand tons, with the plan of 20.5 thousand tons (106.3%).

# RESULTS

## NATURAL GAS AND CONDENSATE PRODUCTION ON THE AMANGELDY FIELD

Name	2013	2012	2011	2010	2009	2008	2007	2006
Gas condensate, thousand tons	21.8	21.3	22.0	24.1	26.0	26.2	26.2	24.6
Gas, Mcm	321.8	324.1	326.5	344.1	354.2	338.3	280.0	279.7

## PARTICIPATION IN MAJOR OIL AND GAS PROJECTS

### Tengiz Project

The Tengiz field discovered in 1979 is one of the largest in the world.

Agreement on the Tengiz Project was signed on 2 April 1993 between the Republic of Kazakhstan and the Chevron company. The hydrocarbon exploration and production license was issued to the Tengizchevroil LLP in 1993 for a term of 40 years.

TCO's core business is exploration, production and sales of hydrocarbons from the Tengiz and Korolevskoye fields.

TCO partners are: Chevron (50 %), ExxonMobil (25 %), JSC NC KazMunayGas (20 %) and LUKArco (5%).

### TOTAL PRODUCTION BY TCO

	2013	2012	2011	2010	2009	2008	2007	2006
Oil production, thousand tons	27,105	24,212	25,839	25,912	22,526	17,274	13,935	13,319
Gas production, Mcm	14,550	12,698	13,522	13,620	11,691	8,977	7,254	6,910

Currently, TCO is doing preparatory works for beginning large-scale efforts for further development of production within the framework of the Well-head Pressure Control Project / Future Growth Project (WPCP/FGP).

Implementation of the WPCP will make it possible to maintain the current level of TCO's oil production until 2028. The FGP project contemplates construction of the new 12 MMtpa oil refinery and an increase in gas injection at the Tengiz field by 9.4 bcm annually.

Early in 2013 TCO and the Akimats of the Atyrau and Mangystau Provinces signed Memorandums of Understanding for the purposes of promoting investment, vocational training and employment of the local population during the FGP implementation.

On 17 Committee for Geology and Subsoil Use 2013 the RoK's MINT's Committee for Geology and Subsoil Use, after obtaining approval from the RoK's CCED, approved the updated Tengiz Field Development Plan according to the version recommended by KMG (10c), making it possible to achieve the maximum oil recovery factor and economic viability for the RoK during the entire development period.

On 15 November 2013 the Memorandum of Understanding was signed between the RoK's Government and TCO on cooperation for the purpose of promoting investment, education and training, and employment in the RoK through implementing the WPCP and FGP projects.

#### **'North-Caspian' Project**

The North Caspian Production Sharing Agreement (PSA) was signed on 18 November 1997. The following companies are the parties to the agreement: JSC NC KazMunayGas - 16.88%, ENI, Total, ExxonMobil, Shell - 16.81% each, China National Petroleum Corporation - 8.33 %, Inpex - 7.56%. According to the operating model, since 22 January 2009 the duties of the North-Caspian Project (NCP) Operator are performed by North Caspian Operating Company, acting on behalf of the NCP PSA's Contracting Companies.

The following fields are located on the NCP PSA contract area: Kashagan, Kalamkas-Offshore, Aktoty, Kairan, Kashagan South-West.

Kashagan field – one of the biggest and complicated offshore fields, having been discovered by now, is a single hydrocarbon accumulation with geological reserves estimated at 4,6 bln tons and occupies a territory of about 820 km<sup>2</sup>. Development of the Kashagan field is at the stage of implementing Pilot Commercial Development (PCD).

In beginning May 2013 the Operator announced that the commencement of oil production at Kashagan would be moved to September 2013 due to necessity of additional testing of technological equipment so that to ensure high security when the production facilities of the field would be commissioned.

On September 11, 2013 the production of oil at Kashagan started. But, on October 9, 2013 due to leak detection in the pipeline, all producing wells were closed, production facilities of the offshore complex and Bolashak plant were stopped and moved to stand-by. As of December 31, 2013 the status of production facilities did not change. Activities on revealing the causes of leakage, pipeline diagnostics, and determination of volumes and schedule of repair and renewal operations are being held.

During 2013 drilling operations were also conducted at EPC-2, EPC-3 EPC-4 (exploitation production complex) sites as well as the works on the Project of the Western Yeskene Railroad Complex. In 2013 works on other JCV fields were also conducted: a plan on completion of Aktoty and Kairan fields researches for a term of 60 months was considered and approved; consideration of the Plan of Kalamkas-more Field Development was continued with the NCP PSA Authorized Body, as well research on South-Western Kashagan under the approved Appraisal Working Program.

#### **Karachaganak Project**

The Karachaganak field was discovered in 1979. The Karachaganak Project is being implemented

# RESULTS

under the Final Production Sharing Agreement (FPSA). The Agreement was signed on 18 November 1997 for a period of 40 years, and entered into force on 27 January 1998.

The participatory interest is distributed among the contracting companies as follows: British Gas (29.25%), Agip (29.25%), Chevron (18%), Lukoil (13.5%) and JSC NC KazMunayGas – 10%.

The Karachaganak oil-and-gas-condensate field is at the Commercial Development Stage 2 (Stage 2M). Under the implementation of 2M Stage Program, about 10 – 11 mn tons of liquefied hydrocarbons are produced annually and 15 – 17 mn cub. gas. This type of field development is basic and implies 40% of gas reinjection.

Actual production over 2013 amounted to:

- gas - 17.5 bcm (of them, injection - 8.6 bcm), which is 6.2% higher than the plan;
- HC liquids - 10.5 mn tons, which is 3.2% higher than the plan.

The planned volume of HC liquids (stabilized) production for 2014 is 10.9 mn tons, gas output – 17.5 bcm.

As at 1 Jan 2014, since the beginning of the FPSA duration, 123.2 mn tons of HC liquids and 169.3 bcm of gas had been produced at the field. Gas re-injection since 2003 had amounted to 61.1 bcm. Upon completion of the 2M projects, for further maintenance of the HC liquids plateau, implementation of the Karachaganak Growth Project (KGP) is planned.

KGP provides for drilling of additional producing and injection wells, hooking-up of these wells to the central processing facility, installation of additional compressors for increasing gas injection, construction of additional facilities for gas treatment for re-injection and providing the process facilities with the fuel gas. A large-scale development is planned to be performed stage by stage to ensure the effective project implementation.

Currently, the contracting companies perform full assessment of PDF (production and distribution facilities) in accordance with the rules and procedures of project management. The project now is at the stage of choosing a concept.

At the same time, the contracting companies performed works on preparation of a report on recalculation of reserves and feasibility study of HC recovery factor as of March 1, 2012. Pursuant to the RoK legislation, the report was submitted to the RoK State Reserves Commission.

## TOTAL PRODUCTION OF HC LIQUIDS (STABILIZED)

	2013	2012	2011	2010	2009	2008	2007
Production of stabilized hydrocarbon liquids, <i>thousand tons</i>	10,492	11,013	10,854	10,247	10,694	10,449	10,429
Gas production, <i>Mcm</i>	17,530	17,519	16,868	15,009	15,564	15,004	14,233
of which for re-injection are used, <i>Mcm</i>	8,570	8,666	8,129	6,437	6,589	6,372	6,016

## OIL AND GAS TRANSPORTATION

### OIL TRANSPORTATION BY MAIN OIL PIPELINES

KazMunayGas carries out oil transportation by Kazakhstan's main oil pipelines through the systems of JSC KazTransOil (KTO) and the Caspian Pipeline Consortium (CPC).

In 2013 the consolidated volume of oil transportation by KTO's main pipelines amounted to 67.2 mn tons, which exceeds the planned value by 6 percent, and is 2 percent higher than the level of 2012. The oil throughput volume amounted to: through the Atyrau – Samara oil pipeline – 15.4 mn tons (equals the level of 2012); CPC – 28.7 mn tons (3% higher than in 2012), including through the KTO system – 3,6 mn tons (8% lower than in 2012); Kazakhstan – China – 11.8 mn tons (14% higher than in 2012).

Performance above KTO's plan indicators was achieved by means of increasing the production volumes and delivery of oil by the HC producers to the oil pipeline system.

JSC KazTransOil is a shareholder in the following oil-transportation companies:

- MunaiTas North-West Pipeline Company JSC (Kenkiyak – Atyrau oil pipeline);
- Kazakhstan-China Pipeline LLP (Atasu – Alashankou and Kenkiyak – Kumkol oil pipelines);
- Batumi Terminals Limited.

### JSC KAZTRANSOIL CONSOLIDATED OIL TRANSPORTATION VOLUME

<i>mn tons</i>									
Name	2013	2012	2011	2010	2009	2008	2007	2006	2005
KazTransOil (100%)	53.9	53.5	54.0	52.51	50.88	47.46	45.68	43.26	38.18
Kazakhstan-China Pipeline (50%).	5.9	5.2	5.45	5.05	3.85	3.06	2.4	0.88	-
MunaiTas (51%)	1.8	1.95	2.05	2.16	3.04	2.95	2.75	2.71	2.8
Batumi oil terminal (100%)	5.6	5.2	5.35	6.12	6.41	7.16	-	-	-
<b>TOTAL:</b>	<b>67.2</b>	<b>65.79</b>	<b>66.87</b>	<b>65.83</b>	<b>64.18</b>	<b>60.63</b>	<b>50.83</b>	<b>46.85</b>	<b>40.96</b>

# RESULTS

## DEVELOPMENT OF OIL SUPPLY EXPORT DIRECTIONS

Diversification of the Kazakhstan oil transportation directions is of particular concern to KMG, since it enables the company to select the most cost-effective routes of hydrocarbon resources transportation to the world markets and serves as a safeguard to ensure energy security.

### Caspian Pipeline Consortium

The oil pipeline of the Caspian Pipeline Consortium with the total length of 1,510 km connects Kazakh oil field Tengiz with the oil terminal South Ozereyevka on the Black Sea, next to the port of Novorossiysk. 32.7 mn tons of oil were transported in 2013 by the CPC oil pipeline, of which 28.7 mn tons is the Kazakh oil.

On 15 December 2010 CPC shareholders made the unanimous final investment decision on the CPC Expansion Project. Pursuant to the decision, the financial-and-economic and technical parameters of the Expansion Project were determined, including the matters of industrial safety and environmental protection. The project provides for an increase in the CPC oil pipeline capacity from 28.2 MMtpa to 67 MMtpa, including an increase to 52.5 MMtpa at the Kazakh section.

Following the results of 2013, the following work was done as part of implementing the CPC Expansion Project: all construction and assembly works for replacement of the oil pipeline section from 116 through 204 km completed. Works on reconstruction and modernization of Atyrau OPS and Tengiz OPS, construction of new A-OPS-4 and A-OPS-3A as well as the off-site power facilities (HV line 220kV and sub-stations), Atyrau substation and Tengiz substation – construction completed.

### Kazakhstan – China Oil Pipeline

Kazakhstan – China Oil Pipeline Project is implemented under the diversification of oil transportation trends and creation of a multi-vector system of hydrocarbon transportation in the Republic of Kazakhstan.

Construction of Atasu – Alashankou oil pipeline with carrying capacity equal to 10 mty is the first stage of a project of establishment of the Kazakhstan-China transport system from Atyrau to Alashankou and was completed in 2006.

Construction of the Kenkiyak – Kumkol oil pipeline with carrying capacity equal to 10 mty is the first line of the second stage of creating this transport system and was completed in 2010.

It is planned to increase the capacity of the Kazakhstan – China transport system stage by stage across all areas from Atyrau to Alashankou up to 20 mty under the 2-nd line in proportion to growing demand for increase in export capacities and requirements of the domestic market.

2-nd line Kazakhstan – China Oil Pipeline includes:

- expansion of carrying capacity of the Atasu – Alashankou oil pipeline (completed);
- reverse and expansion of the Kenkiyak – Atyrau oil pipeline;
- expansion of the Kenkiyak – Kumkol oil pipeline;
- reconstruction and expansion of a site of the Kumkol – Atasu oil pipeline.

In 2013 the construction of OPS #8 and OPS #10 of the Atasu – Alashankou oil pipeline. State Acceptance Commission Act on OPS #8 was signed on December 12, 2013, OPS #10 – on December 13, 2013. The commissioning of these facilities make it possible to increase the capacity of the Atasu

– Alashankou oil pipeline to 20 MMtpa.

Favorable resolution from State Expertize on expansion of the Kenkiyak – Atyrau and Kenkiyak – Kumkol oil pipelines was received. The terms of implementation of these facilities will be stipulated by the resource base of oil pipelines.

### **Marine oil transportation**

Marine oil transportation is effected by a subsidiary of JSC NC KazMunayGas – LLP National Marine Shipping Company Kazmortransflot.

LLP NMSC Kazmortransflot has its own tanker fleet in the Caspian Sea, consisting of 6 crude oil tankers with the deadweight of 12–13 thousand tons. Oil transportation was carried out from the port of Aktau in the direction of the ports of Makhachkala and Baku.

On the whole, at year-end of 2013 KMTF transported 8.9 mn tons of oil or 73% of the plan (12.2 mn tons of oil), if compared to 2012, the oil transportation decreased by 22 % (2.5 mn tons).

### **Transportation and delivery of natural gas**

JSC KazTransGas is within JSC National Company KazMunayGas and controls the country's main network of transporting pipelines with the length of over 17.7 thousand kilometers and annual designed throughput up to 190 bn cubic meters annually (in practice – up to 160 bcmpa).

Transit of natural gas from Turkmenistan and Uzbekistan to China and Russian Federation is carried out across Kazakhstan. Natural gas transportation by trunk gas pipelines was 110.14 bn cubic meters in 2013.



# RESULTS

## MAIN GAS PIPELINE GAS TRANSPORTATION VOLUMES

*bcm*

Transit type	2013	2012	2011	2010	2009	2008	2007	2006
International transit	85.3	84.7	89.04	79.7	73.2	97.7	97.9	107.6
Kazakh gas transportation for exports	12.0	11.9	11.89	13.5	10.0	9.6	8.3	7.8
Gas transportation for domestic consumers	12.9	12.6	9.6	8.5	7.9	9.4	8.0	6.5
<b>TOTAL</b>	<b>110.2</b>	<b>109.2</b>	<b>110.6</b>	<b>101.7</b>	<b>91.1</b>	<b>116.7</b>	<b>114.2</b>	<b>121.9</b>

The gas transportation by the trunk gas pipelines of JSC Intergas Central Asia from 2006 to 2013 exceeded 850 bcm. At the end of 2010 the Kazakhstan-China trunk gas pipeline was commissioned, which transported a total of 15.25 bcm in 2013.

JSC KazTransGas (through its subsidiaries – JSC KazTransGas Aimak and JSC KazTransGas Almaty) supplies gas to the consumers of Zhambyl, South-Kazakhstan, Kyzylorda, West-Kazakhstan, Aktobe, Almaty, Kostanai, East-Kazakhstan (Zaisan), Mangystau, Atyrau Provinces, and the city of Almaty.

Zhambyl (partially), South-Kazakhstan, Kostanai, Almaty Provinces and the city of Almaty are supplied with imported natural gas, purchased from OJSC Gazprom and its affiliates under the Agreement on Counter-Delivery of gas of 27 December 2006. The remaining regions are supplied with Kazakh gas.

The gross volume of gas deliveries to the domestic market of the Republic of Kazakhstan was 12.863 bcm in 2013.



## EXPORT GAS PIPELINES PROJECTS

### Kazakhstan – China gas pipeline

The Kazakhstan-China Gas Pipeline construction project ensures transportation of the transit gas from Turkmenistan across the territories of Uzbekistan and Kazakhstan to PRC, increases the transit potential, allows diversifying export routes of the Kazakh gas, and improves the country's energy security.

Implementation of the project for construction of the Kazakhstan-China gas pipeline is effected by special purpose vehicle Asian Gas Pipeline LLP (AGP LLP), established on parity basis by JSC KazTransGas and Trans-Asia Gas Pipeline Limited (CNPC's affiliate) on 15 February 2008.

On 9 July 2008 construction of the gas pipeline commenced, the first stage - linear part construction - was completed ahead of the work schedule, in record-setting time for the international practice. 1st line of the Kazakhstan-China trunk gas pipeline, 1,310 km in length was launched on 12 December 2009. In October, 2010 line "B" of the Kazakhstan – China gas pipeline was brought on line. Over 9 thousand people were engaged in the construction.

The gas pipeline's designed capacity of 30 bcm annually was reached in December 2012. Further expansion of the gas pipeline to 40 bcm per year may be implemented in package with the "Beineu-Bozoi-Shymkent" Gas Pipeline Construction project.

As of 31 December 2013, around 70 bcm of transit gas had been transported by the gas pipeline since the beginning of operation in the direction of China.

### Beineu-Bozoi-Shymkent gas pipeline

For the purpose of sustainable meeting of the requirements for gas of the RoK's southern regions, lowering the dependence on the imported gas and ensuring the RoK's energy security, the "Beineu-Bozoi-Shymkent" trunk gas pipeline construction project is being implemented.

The gas pipeline route runs across the territories of Mangistau, Aktobe, Kyzylorda and South-Kazakhstan Provinces and has the following technical specifications: Stage 1 – 2011–2014, the capacity of up to 2.5 bcmpa; stage 2 – 2014–2015, capacity of up to 10 bcmpa, length – 1,477 km, diameter – 1,067 mm (in single-line version).

In order to implement the Project, the following was done during 2010–2013:

- Heads of Agreement on construction and operation of the Kazakhstan-China gas pipeline was signed during the official visit of Chairman of PRC Hu Jintao to Kazakhstan of 12 June 2010.
- On 18 January 2011, in order to implement the Project, a joint Kazakhstan-China project company - Beineu-Shymkent Gas Pipeline LLP - was established.
- The consortium of KING JSC and CPEEI design institutes completed works on adjustment of FS and DED, with obtainment of the corresponding positive opinions of the 'Gosekspertiza' RSE and approval in the Agency of the Republic of Kazakhstan for Construction, Housing and Utilities.
- Construction of the linear section of the gas pipeline on the Bozoi-Shymkent section has been underway since 17 July 2012.
- Credit Documents (Credit Agreement, Guarantees) for raising financing for an amount of \$1.8 bn for implementing 1st stage of the Project were signed in Hong Kong on 11 December 2012.
- On October 9, 2013 a working commission was conducted on assessment of technical availabi-

# RESULTS

lity for commissioning of a linear part at Bozoi-Shymkent site.

- According to the State Acceptance Commission Act dated December 2, 2013 the first line of a linear part at Bozoi-Shymkent site with length of 1,143 km and carrying capacity up to 2,5 bln. m<sup>3</sup>/y was commissioned.

As of December 31 2013, tender procedures were held and suppliers of tubular goods and isolation valves were identified for construction of the second section of a linear part of Beineu-Bozoi.

## PROJECT FOR PROVIDING GAS SUPPLY TO ASTANA AND NORTHERN REGIONS OF ROK

### West-North-Center Gas Pipeline

In order to provide the city of Astana and northern regions of the RoK with natural gas, implementation of the project "Construction of the 'West-North-Center' Trunk Gas Pipeline" is underway.

The gas pipeline route will run across the territories of the Kostanai, North-Kazakhstan and Akmola Provinces and has the following basic technical specifications: throughput capacity of up to 1.8 bcmpa, length – 830 km, diameter – 720 mm.

Project implementation period: 2011 - 2014

For the purpose of implementing the project, development of the FS was completed in 2012, with obtainment of a positive opinion from the State Expert Review Board RSE.

Subject to Minutes of the meeting of the Interdepartmental Commission for Development of the Oil-and-gas and Energy Industry No.17-5/07-145 of 19 April 2013, decision on suspending the "West-North-Center Gas Pipeline Construction" for one year was made.

This matter is included in the work plant of the Interdepartmental Commission for Development of the Oil-and-gas and Energy Industry for 2014.



## REFINING

### OIL REFINING

#### OIL REFINING VOLUMES IN THE REFINERIES OF THE KAZMUNAYGAS GROUP

thousand tons

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Atyrau Refinery	4,430	4,423	4,471	4,300	4,004	3,925	3,701	3,746	3,514
Shymkent Refinery	2,429	2,377	2,302	2,292	2,004	2,154	1,011 <sup>1</sup>	-	-
Petromidia Refinery	3,781	3,806	3,730	3,367	3,878	4,237	-	-	-
JSC PPCP	5,010	5,037	4,649	4,807	2,185	-	-	-	-
<b>Total</b>	<b>15,650<sup>2</sup></b>	<b>15,643</b>	<b>15,152</b>	<b>14,766</b>	<b>12,071</b>	<b>10,316</b>	<b>4,712</b>	<b>3,746</b>	<b>3,514</b>

#### Atyrau Refinery

Atyrau Refinery (AR) was commissioned in 1945. The oil refining capacity is 5.0 mn tons annually. 99.49% of the interest in the AR are owned by JSC KazMunayGas – Refining & Marketing.

In 2006 the first stage of the AR reconstruction was completed, which rendered it possible to replace obsolescent and worn-out equipment, improve the quality of gasolines and diesel in terms of sulfur content, increase output of jet fuel and lower the adverse environmental impact. AR accounted for 37.3 percent of Kazakhstan' total oil refining volume in 2013.

#### PRODUCTION OF MAIN OIL PRODUCTS

thousand tons

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gasoline	505	507	568	601	553	493	470	493	509
Diesel	1,222	1,217	1,330	1,259	1,191	1,175	1,019	995	958
Jet fuel	38	54	46	66	51	47	21	5	21
Fuel oil	1,512	1,585	1,786	1,953	1,698	1,566	1,096	1,343	1,345
Other products	893	847	489	254	205	330	747	569	466
<b>TOTAL</b>	<b>4,170</b>	<b>4,210</b>	<b>4,220</b>	<b>4,133</b>	<b>3,698</b>	<b>3,611</b>	<b>3,353</b>	<b>3,405</b>	<b>3,299</b>

1 Consolidated figure – taking into account the 49.72% interest and the refining volume in the Shymkent Refinery over the period since the acquisition in July, 2007.

2 Does not include 400 thousand tons of heavy cuts of RHC in the Petromidia Refinery.

# RESULTS

The following projects are being implemented within the framework of the second stage of the Atyrau Refinery reconstruction:

- reconstruction of the vacuum block of the CDU-AVDU-3 unit and the delayed coker made it possible to increase the primary and secondary processing capacity, and produce additional volumes of target added value oil products (the process units were commissioned in 2011);
- construction of the aromatics production complex – aimed to improve the environmental attributes of motor gasolines by means of extracting benzene and aromatic hydrocarbons from the gasoline cut. It is proposed to use the aromatic hydrocarbons received (benzene and paraxylene) as basic petrochemical feedstock for the “Petrochemical Complex Based on Benzene and Paraxylene” project;

At the third stage implementation of the project for construction of the deeper oil conversion complex is underway. Implementation of this project is aimed to enhance the Atyrau Refinery's capacity to 5.5 mn tons annually, it will render it possible to refine residual heavy oil products into high quality motor fuels at the level with the Euro 4 and Euro 5 standards, and increase the conversion ratio to 87%.

## Shymkent Refinery

Shymkent Refinery was commissioned in 1985. Shymkent Refinery is controlled by LLP PetroKazakhstan Oil Products, 49.72 % in which are held by JSC KazMunayGas – Refining & Marketing since July 2007.

The refinery's designed oil refining capacity is 6 mn tons annually. Currently, the refinery's installed capacity is 5.25 mn tons of annually.

PKOP accounted for 20.5 percent of Kazakhstan' total oil refining volume in 2013.

## PRODUCTION OF MAIN OIL PRODUCTS

*thousand tons*

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gasoline	1,038	1,046	996	978	811	843	853	837	843
Diesel	1,376	1,336	1,338	1,337	1,276	1,408	1,381	1,287	1,276
Jet fuel	231	275	218	234	240	275	159	183	133
Fuel oil	968	977	989	931	694	635	552	565	767
Other products	975	943	888	947	765	886	853	905	656
<b>TOTAL</b>	<b>4,588</b>	<b>4,577</b>	<b>4,348</b>	<b>4,343</b>	<b>3,785</b>	<b>4,047</b>	<b>3,798</b>	<b>3,777</b>	<b>3,675</b>

Within the framework of executing the Program for Development of RoK Oil and Gas Sector 2010–2014, the project for reconstruction and modernization of the Shymkent Refinery is being implemented, the main objectives of which are recovery of the designed oil distillation capacity to 6 mn tons per year, increasing the processing depth to at least 90%, improvement of the quality and environmental indexes of the Euro 4 and Euro 5 motor fuels.

#### **Pavlodar PCP**

Pavlodar PC Plant was commissioned in 1978. The refinery's designed oil refining capacity is 6.0 mn tons annually.

The refinery processes the blend of the Urals crude delivered by means of the Omsk – Pavlodar oil pipeline.

As at 31 December 2013, 100% of the shares are owned by JSC KazMunayGas - Refining & Marketing. PPCP accounted for 42.2% of Kazakhstan's total oil refining volume in 2013.

#### **PRODUCTION OF MAIN OIL PRODUCTS**

	<i>thousand tons</i>								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Gasoline	1,117	1,302	1,194	1,314	1,225	1,155	1,287	1,015	996
Diesel	1,473	1,576	1,395	1,478	1,328	1,314	1,425	1,107	1,056
Jet fuel	133	92	123	190	82	80	77	80	90
Fuel oil	763	977	885	887	747	794	752	1,242	1,251
Other products	1,003	701	635	598	438	392	371	218	316
<b>TOTAL</b>	<b>4,489</b>	<b>4,648</b>	<b>4,232</b>	<b>4,467</b>	<b>3,820</b>	<b>3,735</b>	<b>3,912</b>	<b>3,662</b>	<b>3,709</b>

Within the framework of executing the Program for Development of RoK Oil and Gas Sector for 2010–2014, the project for reconstruction and modernization of the Pavlodar PC Plant is being implemented, the main objectives of which are recovery of the designed oil distillation capacity to 7 mn tons per year, increasing the conversion ratio to 90%, improvement of the quality and environmental indexes of the Euro 4 and Euro 5 motor fuels.

# RESULTS

## INTERNATIONAL OPERATIONS IN THE OIL REFINING SECTOR

In 2007 KMG purchased the controlling block of shares (75%) in the Romanian oil and gas company The Rompetrol Group, thereby acquiring the strategically located Petromidia Refinery and second largest retails network in Romania. This transaction included operations in Bulgaria, Georgia, Moldova and Ukraine, and an important player of the French wholesale market. In 2009, KMG purchased the remaining 25% of the The Rompetrol Group.

The company's headquarters are in the Netherlands, the majority of operations and assets are located in Romania, France, Spain and South-East Europe.

Having over 8,000 employees in 12 countries, The Rompetrol Group performs its core operations in Romania and the countries of the Black Sea and Mediterranean Sea basin in the following areas:

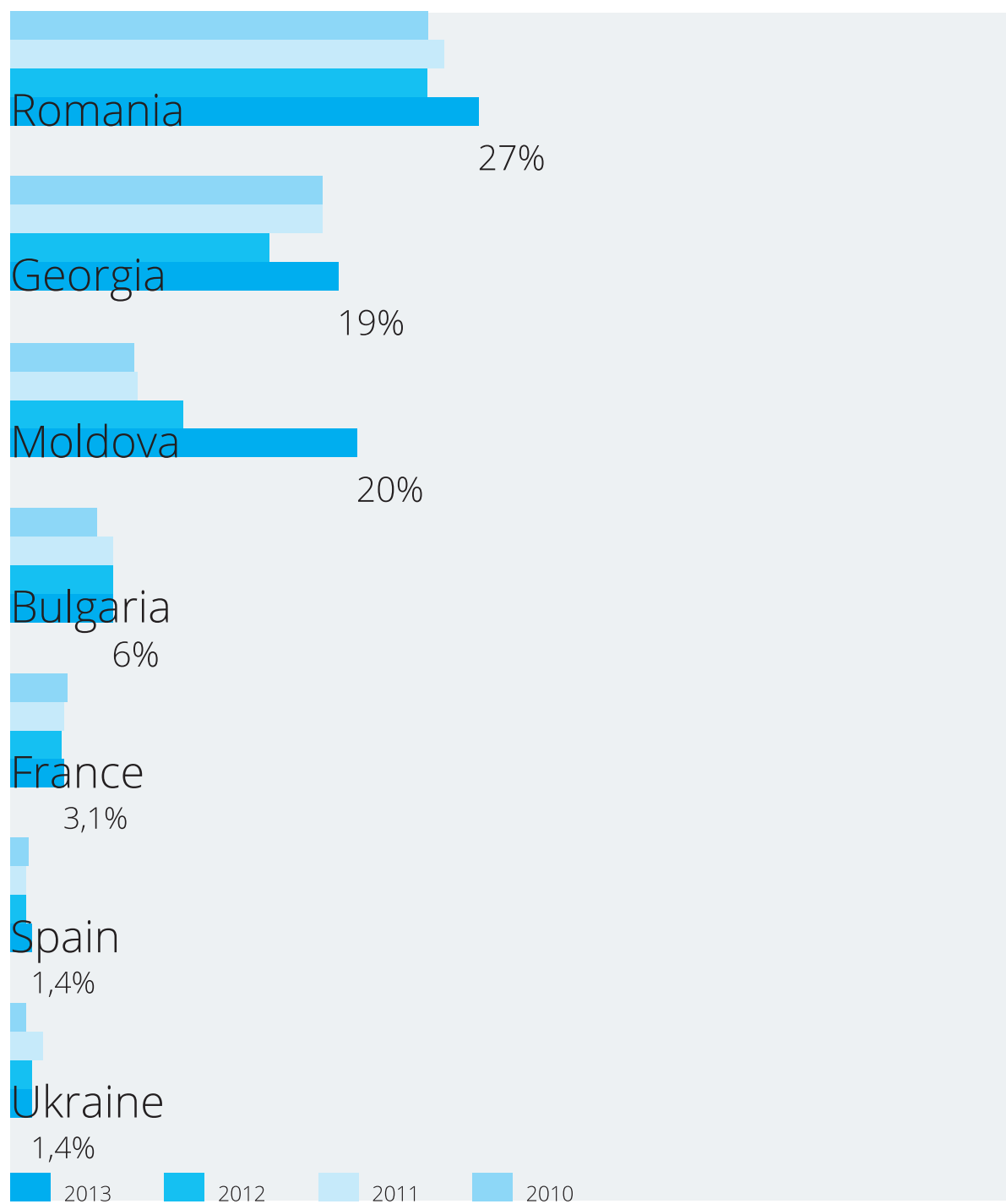
- oil refining and petrochemistry;
- trading and retail;
- upstream and industrial services (units for exploration and production, drilling, well workover and downhole services, together with other technical services and technology development services).

In the first instance, the Group engages in oil refining, marketing and trading operations, and, additionally, operations in the sphere of exploration and production, and provides other industrial services, such as drilling, EPC (engineering/procurement/construction management) and transportation.

The Rompetrol Group incorporates two refineries (Petromidia and Vega), and a petrochemical complex (Rompetrol Petrochemicals). The Rompetrol Group is the leading producer of polyethylenes and polypropylenes both on Romania's domestic market, and on the Eastern European market.

In Europe, The Rompetrol Group has over 1,100 fuel distribution points in 7 countries (Romania, Moldova, Ukraine, Bulgaria, Georgia, France and Spain), operating under the "Rompetrol", "Dyneff" and "Litro" brands. Through its subsidiaries in France, Spain and Switzerland ("Dyneff" and "Vector Energy"), the Group operates an international trading network.

**SHARE IN THE OIL PRODUCTS RETAIL MARKET BY REGIONS  
OF THE ROMPETROL GROUP'S PRESENCE**



# RESULTS

The Romanian retail market is incredibly interesting, owing to the high level of FFS sales, when compared to other Black Sea region market, and thanks to the solid margin. Economic growth and rapidly-changing infrastructure open up opportunities for quick and profitable expansion.

The Rompetrol Group's strategy is in strengthening the Group's position as that of one of the top-three players, through purchasing the existing FFSs, and building new FFSs matching the existing main network. Acquisition of the main network within the limits and in the vicinity of the city of Bucharest is in the centre of this strategy. In addition, the Rompetrol Group's LHCG sales activity will be expanded.

Rompetrol is a strong trade mark with a national network, known for high quality fuel and a unique filling system using Fill & Go cards.

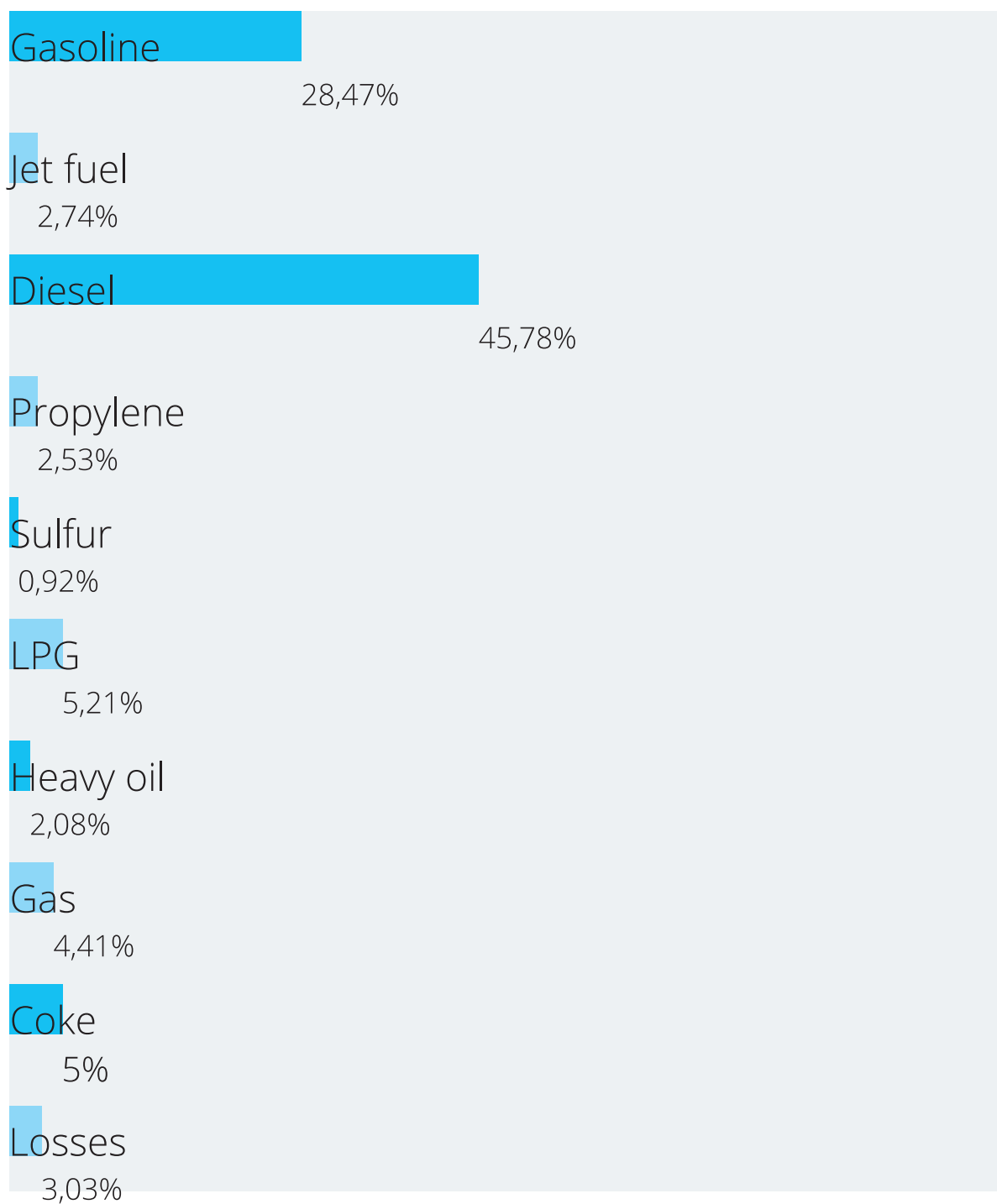
**Petromidia Refinery** is the biggest and most complex refinery in Romania. The refinery's designed processing capacity is 5.0 mn tons annually, which is around 29 percent of Romania's total refining capacity; the refinery is capable of processing heavy oils with high sulfur content. The refinery was built in 1974–1979, upgraded in the 90s and in 2005, it is located on the coast of the Black Sea, 225 km from Bucharest and 20 km from Romania's biggest port – Constanța.

Commercial output of products meeting the 2009 standards of the European Union (Euro 5 standard) has been set up in the refinery. 90% of diesel and 70% of motor gasolines produced in the Petromidia Refinery meet the Euro 5 norms.

In order to ensure competitive capacity of the oil products produced based on the Kazakh crude oil in the Black Sea region, over the last 5 years JSC NC KazMunayGas made over \$1.5 bn of investments in the Petromidia Refinery. After the modernization, the Nelson Complexity Index was increased from 8.3 to 10.5.

**Vega Refinery** is a specialized refinery, located over an area of 70 ha in the vicinity of the city of Bucharest in the city of Ploesti. Built in 1905, upgraded in the 70s. The designed refining capacity is 500 thousand tons per year. Vega Refinery is specialized in processing alternative feedstocks (naphtha, heavy hydrocarbon fractions, fuel oil). The refinery's technology allows producing a wide range of solvents according to the specified properties, various bitumens and other specialized products. In 2013 the refining throughput was 239 thousand tons. The products turned out are used in the chemical, petrochemical, rubber, textile and footwear industry.

**PCC Petrochemical** – the Petrochemical complex is integrated with the Petromidia Refinery. The existing facilities of the complex with the rated capacity of 220 thousand tons produce polypropylene, HDPE (high-density polyethylene) and LDPE (low-density polyethylene) of various brands. The source of feedstock is propylene produced in the Petromidia Refinery and purchased ethylene. The refining throughput of PCC Petrochemical amounted to 163 thousand tons in 2013. The 12% deviation from the plan is due to the decrease in the level of low density polyethylene production owing to ethylene shortage.

**STRUCTURE OF FINAL PRODUCTS**

# RESULTS

## THE ROMPETROL GROUP'S OPERATIONS IN KAZAKHSTAN

Rompetro Well Services provides technical support and supervises its daily operations in Romania and overseas. The Kazakhstan branch was founded in 2003, and operates in the western region. The company's production bases are fully equipped, the works are done by highly-knowledgeable specialists. The portfolio of the company's services includes basic cementing, remedial cementing and pumping operations.

Rominerv Kazakhstan is The Rompetrol Group's general contractor and combines industrial maintenance, project management technical and technological development services:

- in August 2011 the company completed two projects in the Atyrau Refinery: AVDU unit reconstruction and modernization and delayed coker reconstruction and modernization;
- On 30 July 2013 the Pavlodar Petrochemical Plant (PPCP) announced transition of the plant reconstruction project to the new implementation stage after the agreement on development of the engineering documentation, procurement of equipment and materials, performance of construction and assembly works (EPC contract) with SC Rominerv SRL was signed. Currently, the PPCP modernization project is moving on to the implementation stage.

## INVESTMENT PROJECTS TO DEVELOP THE REFINERIES

In compliance with the Program for Development of RoK Oil and Gas Sector for 2010–2014 approved by Resolution No.1072 of 18 Oct 2010 of the RoK Government, investment projects for development and modernization are being implemented in all three refineries of the republic.

Modernization of the refineries will make it possible to replace the obsolete and worn-out equipment, improve the quality of oil products meeting the Euro 4 and 5 standards, increase the yield of light oil products to 77 % with an increase of the conversion ratio to 87–90%, and reduce the environmental impact.

The result of the reconstruction and modernization is that the crude distillation capacity will amount to 18.5 MMtpa. Base products for petrochemistry - benzene, paraxylene - will emerge. Gasolines and diesels produced will meet the requirements of the Euro 5 environmental quality standards.

### Modernization and reconstruction of the Atyrau Refinery

An EPC-contract on a turnkey basis on the project "Construction of Aromatics Production Complex" was made with Sinopec Engineering (China) on 29 October 2009. Financing of the Project is carried out under the master loan agreement signed by and between the Development Bank of Kazakhstan JSC and Eximbank of PRC on account of a tied loan (with the participation of Chinese companies).

Development of engineering documentation was completed, and all core process equipment was delivered under the EPC contract in 2013, its assembly is nearing completion. Construction and assembly works are underway. Scheduled time of construction – until 30 July 2014, deadline of commissioning of the Complex – 30 September 2014.

On the "Deeper Oil Conversion Complex Construction" project a turn-key EPC contract was made on 29 December 2011 with the consortium of contractors: Sinopec Engineering/Marubeni/JSC OGCC KazStroyService (PRC/Japan/Kazakhstan). On 6 June 2012 the \$1,130 mn Loan Agreement

with China Eximbank was signed. On 8 August 2012 the \$297.5 mn Loan Agreement with JBIC was signed. On 17 August 2012 the \$251.9 mn Loan Agreement with the DBK JSC was signed for the payment of the advance payment. In 2013 efforts were made to develop engineering documentation, and order the core process equipment. Engineering surveys and pile driving were conducted at the construction sites. Project implementation period: 2011–2016.

#### **Modernization and reconstruction of the PKOP refinery (Shymkent Refinery)**

Italian Technip S.p.A., jointly with the EC Kazgiproneftetrans LLP, has prepared the FS for the Shymkent Refinery reconstruction and modernization project. Design-and-estimate documentation of the sulfur recovery, diesel hydrotreating and isomerization units developed. Main stage DED development contract signed. Development completion date – July 2014.

Contract for development of the isomerization unit engineering documentation was signed on 15 January 2013. EPC contract for turn-key construction of the isomerization units was signed on 30 January 2014.

Construction and assembly works are underway on stage 1, planned to be completed by December 2015.

Soil surveying and engineering to the Western standards were completed for the purposes of stage 2 of the project. Efforts to adapt the documentation to the Kazakhstan standards are being made.

Project implementation period: 2011–2016.



# RESULTS

## Modernization and reconstruction of the Pavlodar PC Plant

On 29 August 2012 further implementation of the Project with combining in the project the stage of developing the design-and-estimate documentation with the stage of early contractor involvement in development of engineering documentation and delivery of long-lead equipment was noted at a meeting of the IDC (inter-departmental committee). FS for the project developed. Design-and-estimate documentation is being development, with the deadline in September, 2014. EPC contract for construction was signed with Rominserv (Romania) on 30 July 2013.

15 November 2013 – contract for development of the engineering documentation (ED stage) signed between Rominserv and Global Engineering Technology (Singapore).

The plans are to implement the Project in 2 Stages: Implementation of the first stage includes launching of two start-up complexes until the end of 2016. Currently, design works are underway and orders for manufacturing of equipment are placed. Decision on implementation of the second stage will be made after development of the design-and-estimate documentation is complete, taking into account opinion of the State Expert Review Board.

Project implementation period: 2011–2016.

## PETROCHEMISTRY PROJECTS

Within the framework of the Republic of Kazakhstan Petrochemical Industry Development Programme approved by Resolution of the Government of the Republic of Kazakhstan, the projects for road bitumens production are being implemented.

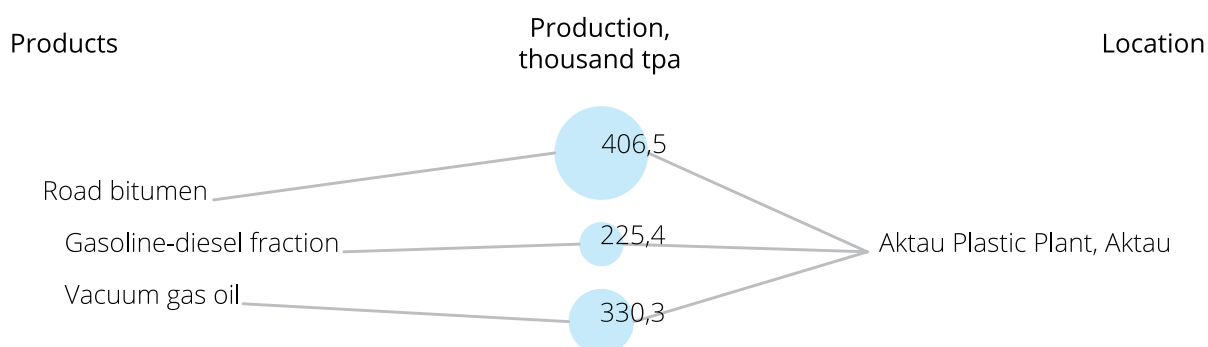
### ROAD BITUMENS PRODUCTION IN THE AKTAU PLASTIC PLANT

The project provides for production of high quality road bitumens in order to satisfy the republic's requirements for road construction, and is implemented on the production site of the existing plastic plant in the city of Aktau in the Mangistau Province.

On 3 June 2010 the EPC Contract for the construction of the Project facilities was signed with the consortium of Contractors – JSC OGCC KazStroyService and LLP CITIC Construction. On 28 September 2010 a loan agreement with the Bank of China was executed.

The units of the project were brought to the technological mode and production of the first products on 10 December 2013. Act of Commissioning Project Facilities was signed on 12 December 2013.

### KEY FIGURES OF THE PROJECT "ROAD BITUMENS PRODUCTION IN THE AKTAU PLASTIC PLANT"



## OPERATIONS IN GAS REFINING

Under the Agreement between LLP KazRosGas and LLC GasProm Dobycha Orenburg, processing of sour gas from the Karachaganak field, in the amount of about 8 bcm annually, is carried out by the Orenburg Gas Processing Plant (OGPP). Commercial gas is transferred to the domestic market of Kazakhstan and for exports as well.

Owned by OJSC Gazprom, the Orenburg Gas-Processing Plant has been created on the basis of the Orenburg gas-condensate field, discovered in 1966. The main conversion products are stripped gas, stable condensate and stabilized oil, technical sulfur, broad fraction of light hydrocarbons, odorizer, liquefied gas, and fuel gas.

## MARKETING AND SALES

### OIL AND OIL PRODUCTS

JSC KMG – Refining & Marketing sells a wide range of oil products, including high quality gasolines, diesel and jet fuel. Retail sales of oil products on the domestic market are made through the network of KazMunayGas service stations, located in the cities of Astana, Almaty, and in all regions of Kazakhstan.

As at 31 December 2013, KMG RM owned 323 FFSs, 3 combined FFS-GFSs, 12 GFSs, 10 oil depots, 1 NGVRS and 3 campings.

Implementation of capital expenditures on the investment projects “KazMunayGas Oil Products Retail Network Development” (a total of 247 FFSs, 7 oil products storage bases, 9 mobile laboratories, 3 fixed-site laboratories, 5 vehicles for sample collection and 122 gasoline tank trucks were purchase and constructed) and “Expansion of the FFS Network in the Mangistau Province” (a total of 6 GFSs were built in the Mangistau Province and 6 autogas tank trucks were purchased) completed in 2013. The plans are to increase KMG-RM’s retail network to 419 service stations by 2018.

Annually, during the spring sowing and harvesting works, supply of POLs at reduced prices is made to agricultural producers. 497 thousand tons of diesel were supplied for the needs of the agricultural industry in 2013.

### GAS

Marketing of natural gas on the domestic market is carried out by subsidiaries of JSC KazTransGas – JSC KazTransGas Aimak and JSC KazTransGas Almaty. The functions of these companies include wholesale purchase of natural gas for the domestic market, gas transportation through regional gas-distributing networks, operation of gas-distributing facilities and networks and sales of natural gas on the domestic market.

Gas exports to external markets and sales of gas for Kazakhstan’s domestic market requirements, including swap operations, are carried out by LLP KazRosGas, established on a parity basis by JSC NC KazMunayGas and OJSC Gazprom in 2002. LLP KazRosGas receives volumes for sale under the “15 Years Karachaganak Field Sour Gas Purchase Agreement”. LLP KazRosGas makes purchases and does marketing of gas from the Karachaganak field.

# RESULTS

## DEVELOPMENT OF KAZAKHSTAN CONTENT

Following the results of 2013, the total amount of purchases in the KazMunayGas group of companies amounted to 1,259 bn tenges, the local content in the purchase being 66% or 833 bn tenges. Among other things, of the total amount of purchased goods for the amount of 506 bn tenges, the share of the Kazakh goods was 339 bn tenges, or 67%.

The total volume of work agreements made amounted to 450 bn tenges, the local content being 55% or 248 bn tenges.

A total of 304 bn tenges was spent on services, which includes 246 bn tenges for services from the domestic suppliers, the local content in the service purchases amounted to 81%.

Main directions of work to develop local content:

- increasing the local content share in purchases of goods, works and services;
- organization of new ventures for production of goods, works and services in the RoK;
- increasing the local content in major petroleum projects;
- making long-term agreements with the domestic producers;
- implementation of the Aktau Declaration on Joint Actions.

## LONG-TERM AGREEMENTS MADE

Group of companies name	No. of agreements made in 2013	Sum of agreements made in 2013, bn KZT	Goods		Works		Services	
			No.	Amount, bn KZT	No.	Amount, bn KZT	No.	Amount, bn KZT
JSC NC KazMunayGas	142	384	44	19.5	23	283	75	81.5

In order to support the domestic oil-and-gas machine-building, the “Program of Assistance by JSC NC KazMunayGas Group of Companies to Development of Oil-and-gas Machine-Building and Setting-up Commercial Production of New Types of Oil-and-gas Equipment in the Republic of Kazakhstan for 2012–2014” (the Machine-Building Development Programme) was approved by the resolution of the Management Board of JSC NC KazMunayGas of 1 June 2012. 69 Kazakh enterprises – manufacturers of the saleable products for the oil and gas industry - are engaged in the Machine-Building Development Programme.

In accordance with the Machine-Building Development Programme, Kazakhstan's plants year over year set up production of new types of oil and gas equipment, machinery and materials, which have never been produced in Kazakhstan earlier. Since the beginning of implementation of the first program in 1998, Kazakhstan's plants have set up production of over 400 items of oil-and-gas machine-building products.

KMG is making efforts to create 6 new production businesses in the form of JVs with the leading foreign organizations (production of pumps, leakproof premium threaded connections for casing,

shut-off valves, wellhead assemblies and X-mas trees, separators and other oil and gas entity). As early as at the first stage, these production facilities will make it possible to create around 300 jobs.

Work with major subsoil users - Tengizchevroil, NCOC and Karachaganak Petroleum Operating - is continued in the following areas: creation of new local production facilities, harmonization of standards and tender procedures, creation of a common database of suppliers, development of the workforce capacity, support to R&D, attraction of investment.

Work on increasing local content in the Tengiz Project Future Growth Project was performed. KMG's position was included in the memorandum signed between the RoK's Government and the Tengizchevroil LLP. 2 joint ventures with KMG's participation were created for this Project.

## KAZAKHSTAN CONTENT IN MAJOR OIL AND GAS PROJECTS

### Payments for Purchases of Kazakh Goods and Services on Tengiz Project

2013	Total	Kazakhstan content	Kazakhstan content, %
Total purchases	3,924	2,301	59
goods	623	31	5
services	3,300	2,270	69

### Payments for Purchases of Kazakh Goods and Services on Karachaganak Project

2013	Total	Kazakhstan content	Kazakhstan content, %
Total purchases	920	461	50
goods	134	9	7
works	302	131	43
services	484	322	67

### Payments for Purchases of Kazakh Goods and Services on North-Caspian Project

2013	Total	Kazakhstan content	Kazakhstan content, %
Total purchases	3,592	1,189	33
goods	576	57	25
works	1,262	313	25
services	1,754	819	47

# RESULTS

## DEVELOPMENT OF SUPPORT-SECTOR PROJECTS

### **Project for construction of the North-Caspian Oil Spills Response Environmental Base**

One of the crucial aspects of development of Kashagan and other fields of the northern Caspian is ensuring environmental safety of production operations.

In December, 2012 near the township of Damba in the Atyrau Province construction of the North-Caspian Oil Spills Response Environmental Base, intended for maintenance, storage and deployment of equipment for the second level oil spills response during the development of the Kashagan field and other fields of the northern part of the Caspian Sea, was completed.

In February, 2013 the KMG-Transcaspian LLP became the general owner of the NCERB.

In August, 2013 a long-term agreement on NCERB lease was made between the KMG-Transcaspian LLP and NC Production Operations Company B.V. (NCPOC) for a term of 10 years.

### **Project for Construction of Jack-Up Rig**

In 2012 KMG acquired the 100% participatory interest in the authorized capital of the Teniz Burgylau LLP (the Partnership) from JSC OOC KazMunayTeniz. The Partnership is implementing the project for construction of a new Jack-Up Drilling Rig (JUR). Within the framework of this project, the Partnership signed the agreement on construction of the JUR with the consortium of the Keppel Kazakhstan LLP and the Ersai Caspian Contractor LLP on 5 July 2012. As at the end of 2013, the following works have been completed: updating of the engineering documentation for ensuring compliance with the requirements of the ABS 2012 rules and MODU 2009 rules completed, all orders for procurement of equipment and materials placed, JUR's keel laid down, lifting gear, spud cans, 1A and 1B leg sections manufactured and delivered, manufacturing of the panels, assembly of JUR's block and hull completed, manufacturing of the drilling console and drill site completed, manufacturing and assembly of the JUR's accommodation facility completed, basic power-generating equipment, drilling pumps, JUR lift engines, JUR marine system compressors and pumps procured.

The plans are to perform the following works during 2014: installation of the lifting gear, spud can and all leg sections, assembly of the accommodation block part on the JUR's hull, fit-out of the accommodation block, start-up of the diesel power generators, dry-dock launching of the JUR, installation of the drilling console and drill site on the JUR and connection with all systems, conduct of pre-commissioning.

Creation of up to 1,000 jobs is expected for the construction period, and 120 jobs for the period of operation.

## **INDUSTRIAL INFRASTRUCTURE PROJECTS BEING IMPLEMENTED JOINTLY WITH ENI S.P.A.**

**Within the framework of the Cooperation Agreement between KMG and Eni S.p.A., the following projects are being implemented:**

- gas turbine power plant construction project;
- gas-processing plant construction project;
- Pavlodar Refinery reconstruction project;
- project for construction of ship-building/ship-repair yard in the township of Kuryk;
- optimization of associated gas disposal in the Republic of Kazakhstan;
- exploration works on the Shagala and Issatai areas in the Kazakhstan sector of the Caspian Sea.

All the works contemplated by the Cooperation Agreement have been completed for the whole part. Feasibility studies on all industrial projects were developed, positive opinions from the state expert review obtained. Public consultations on all projects have been organized and held.

Subject to the instruction of the Head of the State (No. 1988 of 23 March 2012), the "PPCP Modernization" project was withdrawn from the Agreement with Eni and is being implemented by the PPCP JSC independently.

In addition, by resolution of the Head of the State No. 1990 of 23 April 2012, the implementation of the "Gas-processing Plant Construction" project was suspended until 2014, taking into consideration the special sensitivity of this matter for the Russian Federation.

Currently, KMG and Eni S.p.A. are discussing the terms of the Heads of Agreement (exploration project) and the Second Stage Cooperation Agreement (industrial projects).

As a result, the projects "Construction of Ship-building/Ship-repair Yard in the Township of Kuryk" is considered as subject of the Second Stage Cooperation Agreement, and the "Issatai" area is considered as subject of the Heads of Agreement.

Works are underway on transition of the industrial project to the Second Stage - the stage of the design-and-estimate documentation (DED) development, the international tender to select the general designer for the "Construction of Ship-building/Ship-repair Yard in the Township of Kuryk" is at the finishing stage.

### **Project for purchase of two AW-139 helicopters**

Euro-Asia Air Airlines JSC made a contract with the manufacturing plant for purchase of two Agusta Westland-139 helicopters on 21 October 2011. The objective of the project is to increase Euro-Asia Air's value and maintain dominant positions on the market of air service to offshore operations. Arrival of the 1st rotorcraft in Kazakhstan took place in November, 2011. Since December, 2011 the AW-139 helicopter makes flights to marine drilling rigs for Agip KCO's services. The plans are to deliver the second helicopter in QII 2014.

# RESULTS

## KMG'S INNOVATION-AND-TECHNOLOGY DEVELOPMENT

In order to enhance the efficiency of innovation development, in 2013 JSC NC KazMunayGas developed the "Innovation-based-and-technological Development Strategy of JSC NC KazMunayGas for 2014–2018" (ITD Strategy), approved by a resolution of KMG's Management Board (minutes No. 87 of 26 Dec 2013) and aligned with the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

ITD Strategy is aimed to resolve the existing technological problems and develop the main sectors of KMG's industrial activity - oil and gas upstream; oil and gas transportation; oil refining and petrochemistry; support-service sector through such actions as:

- strengthening and development of the R&D area;
- transfer of the latest and leading-edge technology;
- creation of innovation infrastructure;
- development and strengthening of the workforce capacity to create conditions for generation and practical implementation of the own technological solutions;
- forming a system for management of the innovation-based and technological development across the KMG group of companies, consistent with the world's best practices.
- creation of necessary conditions for extensive use of innovations, and breakthrough, resource / energy-efficient, and environmentally benign technology.

Efficiency of the Company's ITD Strategy implementation will be assessed against the target values of the special innovation-based development indicators, for example:

- R&D expenses share in the Company proceeds – 0.12% by 2016;
  - share of investment in innovative projects in the Company proceeds – 2.29% by 2016;
  - labour efficiency (Operating income/headcount) – 34.6 mn KZT/pers by 2016;
  - share of net profits from implementation of innovative projects in the Company's total net profits – key indicator reflecting the contribution of innovations to the Company's current economic results.
- The Company is planning to calculate the target value of this indicator during the 1st half of 2014.



## KEY EVENTS OF THE YEAR

### JANUARY

Kyrgyzstan and Kazakhstan agreed on price for gas supply in Q 1, 2013- \$ 224 per 1 ths c.m.

Caspian Pipeline Consortium (CPC) and the syndicate of international banks signed a Loan Facility Agreement to the amount up to \$ 500 mn for financing of operations under the CPC Export System Expansion Project. In accordance with the Loan Facility Agreement, the 6 month US Dollar (USD) LIBOR interest rate is + 2,65%, maturity does not exceed 5 years.

Acquisition of 24,5% participatory share in "N" Block development project, located in the Kazakhstan Sector of the Caspian Sea, for 32 mn US dollars from the American ConocoPhillips Petroleum Holding. After the transaction KMG now owns 100 % shares of N Block B. V. and through it 75, 5 % in N Operating Company LLP – N Project Operator, where previously KMG owned 51 %, ConocoPhillips – 24,5%, Mubadala Development Company from the United Arab Emirates – 24, 5 %.

Mr. A. Aidarbayev, Director General (Chairman, Management Board), KMG EP, resigned due to his appointment to the position of akim of Mangistau oblast.

The Agency on Regulation of Natural Monopolies, Republic of Kazakhstan, approved a tariff at the level of 59,7 KZT per ton (without VAT) and tariff estimate for oil transfer via Kenkiyak – Atyrau pipeline at pump station named after T. Kassymov (ex-pump station "Atyrau")

### FEBRUARY

JSC CPC-K signed a number of amendments to the contract with JSC OGCC KazStoryServis for construction of pump stations on the territory of Kazakhstan priced at 5,9 bln KZT.

In line with the Memorandum of Intent with LLP Demetrics Risk Management Solutions and LLP Prime Source – big producers of integrated IT solutions, business systems and leaders in enhancement of productivity and systematization of business JSC KazTransGas launched a pilot project on automatization of business risk management system. The project establishes automated risk management module for six months, during which the software will be adjusted with company's business processes

Nikolay Brunich was elected as the General Director of CJSC CPC-R and JSC CPC-K, this nominee was proposed by OJSC AK Transneft.

# RESULTS

## MARCH

The artificial island D, constructed in the Kazakhstan Sector of the Caspian Sea on Kashagan field, experienced an emergency. When depressurizing one of the producing wells during hook up and start up, which should have been resulted in the first oil, an emergency occurred. It was caused by the reinforcements which failed to sustain a load.

A new version of the "National plan on prevention of oil spills and response in the sea and inland waters of the Republic of Kazakhstan" has been published to ensure industrial safety in the Kazakhstan Sector of the Caspian Sea.

JSC Turgay Petroleum (Kyzylorda oblast – Joint Venture of LUKOIL Overseas and PetroKazakhstan Inc (CNPC – 66,6 %, KMG- 33,3 %)) attracted the second tranche of credit financing in the amount of 150 mn US dollars.

## APRIL

Export customs duty for crude oil increased from \$ 40 to \$ 60 per ton.

The decree of the Government of the Republic of Kazakhstan established quotas and approved the terms for issuance of permits for attraction of foreign workforce under the "Reconstruction and Modernization of Atyrau Refinery" Project for 2013.

LLP Asian Gas Pipeline and JSC OGCC KazStroyService concluded a major transaction priced at 60.7 bln KZT (without VAT) on procurement of EPC services for a linear part of the "Expansion of the Kazakhstan China Main Pipeline" Project, the first area"

KMG's Eurobonds were placed to the total amount of 3 bln US Dollars under the current 10.5 bln US dollars global medium term note program. The organizers of issue were Bank of America, Merrill Lynch, Barclays, Halyk Finance and VISOR Capital. Out of the total volume of placement 2 bln US dollars – debut Eurobonds with 30-year circulation period and a coupon for 5.75 % per annum and 1 bln US dollars – Eurobonds with 10 year circulation period and a coupon for 4.40 % per annum. Eurobonds were rated BBB (Fitch) / BBB- (Standart&Poors) / Baa3 (Moody's). The funds from attraction were channeled to general corporate goals, including repayment of the existing indebtedness. As per the Program on issue of midterm Global notes the amount increased from 7.5 bln US dollars to 10.5 bln US dollars.

JSC KazTransGas Aimak accepted 1,306 km of distribution gas pipelines in Kostanay oblast for trust management as the only operator.

RSE "Gosexpertize" gave a conclusion on design estimate documentation for stage "P" - installation of sulfur recovery unit under the project "Reconstruction and Modernization of Shymkent Refinery of LLP PKOP.

## MAY

Interdepartmental commission of Kazakhstan prolonged time for consideration the issue on acquisition of the share of ConocoPhillips by KMG in Kashagan project.

The first exploration well, drilled on White Bear in the British Sector of the Northern Sea by JSC

KMG EP (Kazakhstan), BG Group (Great Britain) and Maersk Oil North Sea (Denmark) was proved as unproductive.

## **JUNE**

The Government of Kazakhstan established tariffs of customs duties for light distillates and products to the amount of 168.88 US dollar per ton, for heavy distillates: liquid fuel, oil bitumen and gas oils – 112.59 US dollars per ton.

Fitch Ratings confirmed Issuer default rating (IDR) of KMG in a foreign currency on the level of “BBB”, forecast “Stable”. Simultaneously the priority unsecured rating in a foreign currency of KazMunaiGaz Finance Sub B. V. on the level “BBB” was confirmed.

## **JULY**

The ministry of Oil and Gas of the Republic of Kazakhstan provided ConocoPhillips with the notice of intention to exercise the pre-emption right to purchase its share – 8.4 % in the Production Sharing Agreement (PSA ) in the North Caspian Sea.

KazTransOil concluded a freight-forwarding contract with KMG Kashagan BV (subsidiary of JSC NC KazMunaiGas).

It was announced to transfer Pavlodar Petrochemical Plant (PPP) to a new stage of project following signing of the contract for development of working documentation , procurement of equipment and materials , construction and installation works (EPC contract) with the Romanian company SC Rominserv SRL. From this point the project of modernization of PPCP transfers to the practical implementation.

## **AUGUST**

KazTransGas Aymak and MAEK Kazatomprom signed a contract of trust management of 100% of shares of Aktaugazservis. After signing of the contract JSC KazTransGas Aymak acts as a sole operator, providing 100% of gas supply in Mangistau oblast.

International rating agency Moody's Investors Service changed the forecast of rating “Baa3” of seven corporate organizations, carrying out activities in oil and gas sector of Kazakhstan, from “stable” to “positive”. They are JSC NC KazMunayGas, KMG EP, KazMunaiGaz Finance Sub BV, KazTransOil, KazTransGas, Intergas Central Asia and Intergas Finance BV.

Federal Service on Tariffs of the RF canceled a special tariff of “Transneft” for oil transit from Kazakhstan. It was decided to apply Russian tariffs for transit of Kazakhstan oil in connection with the effect of the agreement on common oil and oil products markets of Belarus, Kazakhstan and Russia.

KazMunayGas and Korean Consortium K C Kazakh B. V. (KCK) following drilling and testing the first exploration well in Zhambyl area in the Kazakhstan Sector of the Caspian Sea confirmed availability of two oil and gas prospects. Test of these prospects produced oil and gas flow with debits – 24 c.m and 110 c.m per day.

# RESULTS

## SEPTEMBER

RSE "Gosexpertise" gave a conclusion on design and estimate documents for stage P – distillate hydro-treating unit under the project "Reconstruction and modernization of Shymkent Refinery of LLP PKOP".

RSE "Gosexpertise" gave a conclusion on design and estimate documents for stage P – isometrization unit under the project "Reconstruction and modernization of Shymkent Refinery of LLP PKOP". Akbulak village hosted an official ceremony on commencement of Beineu-Bozoy-Shymkent (BBS) pipeline gas packing in Bozoy Shymkent

Trade unions of enterprises of KMG Group, engaged in oil and gas exploration, production, transportation, oil refinery and service sector, created Republican Public Union "Industry-Specific professional union of oil and gas employees".

## OCTOBER

Energy forum of KazEnergy announced development and search for partners in international project "Eurasia", the purpose of which is to explore deep-lying sub-salt horizons of the Pre-Caspian depression.

KMG completed the transaction on acquisition of 8.4 % share of ConocoPhillips in the North Caspian project. The value of the transaction - \$5.4 bln.

The company signed the contract with CPECC for construction and installation works for distillate hydro-treating unit under the project "Reconstruction and modernization of Shymkent Refinery of LLP PKOP".

Transportation of Tengiz oil via Baku-Tbilisi-Ceyhan (BTC) is renewed. It was interrupted in 2008 due to disagreement with supply terms, issued by Azerbaijan party.

## NOVEMBER

Russian and Kazakhstan signed the protocol on intergovernmental agreement on cooperation in development of Imashevskoye gas condensate field. Within the forum of interregional cooperation of Kazakhstan and Russian "Preliminary agreement on oil transportation via the territory of the Republic of Kazakhstan and guarantees" was signed between JSC "NC KazMunayGas, JSC KazTransOil and OJSC NC Rosneft, specifying conclusion between KazTransOil and Rosneft for provision of services on transportation of Russian oil to Chine on the route Priirtyshsk – Atasu – Alashankou in the volume of 7 mn tons per year, which will come into effect on January 1, 2014 during 5 years with possibility of automatic prolongation for another 5 years.

"Rominserv" and "Global Engineering Technology" (Singapore) concluded a contract for development of working documentation (stage EP) under the project "Reconstruction and modernization of Pavlodar Petrochemical Plant".

The North Caspian Oil Spill Response Base was transferred to the consortium, engaged in development of Kashagan field. NCOC and the base owner – LLP KMG Transcaspian signed the rental contract.

## DECEMBER

On December 12, 2013 state acceptance commission signed the Act on commissioning of facilities of the project "Production of road bitumen in Aktau Plant of Plastic Mass".

"Umbrella" brand of JSC KazMunayGas Refining and Marketing Group (KMG RM) is created. Under KazMunayGas logo it unites principal subsidiaries of KazMunayGas RM – Atyrau Refinery, Pavlodar Petrochemical Plant and JSC KazMunayGas Onimderly.

JSC KazTransOil commissioned two new pump stations – PS No 8 and PS No 10 of Atasu – Alashankou pipeline, owned by LLP Kazakhstan Chinese Pipeline. Two pump stations were constructed within implementation of the second tranche of the second construction stage of Kazakhstan – China pipelines. Pump stations will enable expansion of Atasu – Alashankou pipeline capacities up to 20 mn tons per year.

JSC KazTransOil completed reconstruction of pump station named after T. Kassymov (ex pump station Atyrau). The purpose of this project, which started in July 2013, is to ensure technical possibility of light oil transportation via Atyrau Kenkiyak in the volume up to 4 mn per year until completion of projects on expansion of Kemkiyak – Atyrau main pipeline.

Associated gas treatment and transportation unit with the capacity of 40 mn c. m per year was commissioned in Atyrau oblast in Vostochnyi field Makat of JSC Embamunaygas.

Branch of Caspii Meruerty Operating Company B.V. successfully completed drilling of appraisal well Auezov-2 on the contract area "Pearls" in the Kazakhstan Sector of the Caspian Sea. Geological survey of the well identified data of high quality. The well test confirmed reservoir parameters and industrial oil flow.

JSC KazTransGas Aimak commissioned AGDS-2 (Automated Gas Distribution Station) and Gas Disposition Terminal (GDT) with the purpose of connection of Kyzylorda town to Beineu-Bozoy-Shymkent (BBS) main gas pipeline.

Aktau Plastic Mass Plant commenced production of road bitumen (Aktau Bitumen Plant). Annually the plant will produce about 400 ths tons of acid and 120 ths of tons of modified road bitumen, 220 ths t of vacuum of gas oils and 15 ths t of gasoline fraction and 230 ths t of kerosene diesel fraction.

Kazakhstan and Russian signed intergovernmental agreement "On oil transportation via the territory of the Republic of Kazakhstan and guarantees", under which from January 1, 2014 in exchange for oil from Russia Kazakhstan will transport its oil to China in the similar volume. The actual contract conditions is to pay for transit in line with tariffs, defined in the order established by the legislation of the RoK. JSC KazTransOil signed the contract with OJSC NC Rosneft for provision of services on oil transportation via Kazakhstan-Chinese Atasu – Alashankou pipeline.

# RESULTS

## INTERESTED PARTY TRANSACTIONS

In compliance with sub-item 19 of item 2 of article 53 of the Law On Joint Stock Companies of the RoK (hereinafter the Law on JSC), unless otherwise specified in the Law and (or) charter of the company, adoption of a decision on conclusion of interested party transactions refers to exclusive competence of the Board of Directors.

Article 21 the Law On Sovereign Welfare Fund states that transactions between Fund companies, in respect of which the Law on JSC establishes special terms and conditions, shall be concluded without them in the order, defined by the Board of Directors of the Fund.

According to item 3 of the Rules on conclusion of transactions between Samruk-Kazyna companies, in respect of which the Law on JSC states special terms and conditions, approved by resolution of the Board of Directors of the Fund dated April 27, 2009 (Rules), a resolution on conclusion of interested party transactions between Fund companies shall be made by collegial executive bodies of relevant companies at an in-praesentia meeting.

i.e. resolutions on conclusion of the above transaction can be made by:

1. KMG Management Board (with Fund companies);
2. KMG Board of Directors (other non Fund companies).

Besides, item 9 of the Rules states a right of the Board of Directors at its own discretion to make a resolution on conclusion of interested party transaction between Fund companies.

## LIST OF TRANSACTIONS

In 2013 the KMG's Board of Directors adopted resolutions on conclusion of the following interested party transactions and/or strategic transactions, including:

- On conclusion of the KMG interested party transaction – Letter of Consent between KMG and Eni S.p.A., ConocoPhilips Company, Mobil Corporation, Total S.A., Shell Petroleum N.V., INPEX Corporation, KMG Kashagan B.V., Agip Caspian Sea B.V., ConocoPhilips North Caspian Ltd., ExxonMobil Kazakhstan Inc., Total E&P Kazakhstan, Shell Kazakhstan Development B.V., INPEX North Caspian Sea, Ltd.
- On conclusion of the KMG interested party transaction, – Supplementary agreement No 1 to the Agreement on principles of design, finance, construction and operations of "C" train of the First area of Kazakhstan-China gas pipeline between KMG, CNPC, JSC KazTransGas and Trans-Asia Gas Pipeline Company Limited dated September 26, 2011.
- On conclusion of the KMG interested party transaction – Contract on provision of services between KMG and LLP Kazakhoil Aktobe.
- On conclusion of the KMG interested party transaction, – Contracts on procurement of service on data recording (transfer of KMG data from tapes to hard disc (remastering) between KMG and JSC Petrodata Kazakhstan".

- On conclusion of the KMG interested party transaction – Supplementary Agreements No 2, No 3 and No 4 to the Agreement on principles of design, finance, construction and operations of the Second areas of gas pipeline Kazakhstan China dated June 12, 2010.
- On conclusion of the KMG interested party transaction – Supplementary Agreement No 5 to the Agreement on principles of design, finance, construction and operations of the Second area of Kazakhstan-China gas pipeline dated June 12, 2010.

In compliance with the Rules on conclusion of transactions between JSC Samruk-Kazyna companies, in respect of which the Law on JSC of the RoK established special terms and conditions, approved by resolution of the Board of Directors of SWF Samruk-Kazyna dated 27.04.2009, during a reporting period KMG Management Board made 44 resolutions on KMG interested party transactions, including:

- Additional contribution to the chartered capital of LLP KMG Transcaspian via deposition of 13,537 061,759 (thirteen billion five hundred and thirty seven million sixty one thousand seven hundred and fifty nine) tenge.
- Additional contribution to the chartered capital of LLP KazMunayGas Service via deposition of 5,179,475,000 (five billion one hundred and seventy-nine million four hundred and seventy-five thousand) tenge for the strategic project “Construction of the Museum of the History of Kazakhstan in Astana”;

Contract on financial aid between JSC NC KazMunayGas and LLP Astana Gas KMG, providing positive resolution of the Board of Directors of JSC Samruk-Kazyna on loan provision to KMG in the amount of 62,707,000,000 (sixty-two billion seven hundred and seven million) tenge to finance the project “Construction of gas pipeline” West-North-Centre, on the following conditions:

- 1) amount of financial aid – 62,707,000,000 (sixty-two billion seven hundred and seven million) tenge. – period of financial aid – 1 (one) year from the receipt of the first tranche with the possibility of prolongation for another 1 (one) year providing consent of both parties.
  - 2) security – missing.
  - 3) special condition– following budget investment into LLP Astana Gas KMG under the project.
- Construction of Main gas pipeline “West-North-Centre” to ensure return of financial aid.
  - The contract on financial aid between JSC NC KazMunayGas and LLP Astana Gas KMG on the following conditions:
    - 1) amount of financial aid – 20,000,000,000 (twenty billion) tenge;
    - 2) period of financial aid – 1 (one) year upon receipt of the first tranche with possibility of prolongation for another 1 year providing consent of both parties;
    - 3) security – missing;
    - 4) special condition – upon receipt of budget investments into LLP Astana Gas KMG under the project “Construction of West North Centre main gas pipeline” to ensure return of financial aid.
  - Agreement on transfer of a land plot between KMG and LLP Naukograd.

# RESULTS

- Agreement on transfer of incomplete facilities construction between KMG and LLP Naukograd;
- Mandate letter between KMG, KazMunaiGaz Finance Sub B. V., Barclays Bank PLC and Merrill Lynch International.
- Contract on financial aid between KMG, LLP Atyrau Refinery and SB of JSC Sberbank.

Contract on financial aid between KMG, JSC OOC KazMunayTeniz to finance costs of the branch of JSC OOC KazMunayTeniz on trust management of Tolkyn and Borankol fields under the following conditions:

- 1) amount of financial aid – 10,821,161,000 (ten billion eight hundred and twenty one million one hundred and sixty one thousand) tenge;
- 2) the period of financial aid – 1 (one) year from conclusion of a contract on financial aid;
- 3) security – missing;
- 4) partial early repayment – without fees;
- 5) remuneration rate – not applicable;
- 6) repayment of major debt – at the end of the period.

Contract on provision of the credit (loan) between KMG and LLP Astana Gas KMG under the following conditions:

- 1) amount of credit(loan) – 458,728,000 (four hundred and fifty eight million seven hundred and twenty eight thousand) tenge;
- 2) target purpose of credit – completion of development of design – estimate documents under the project “Construction of West North Centre main gas pipeline via route Tobol-Kokshetau-Astana”
- 3) credit (loan) period – 5 years upon conclusion of a contract on provision of the credit (loan);
- 4) security – missing;
- 5) partial early repayment-without fees;
- 6) remuneration rate – 5 per cent per annum, without VAT;
- 7) remuneration payment – at the end of the period;
- 8) repayment of major debt – at the end of the period.

The contract on provision of credit line between KMG and LLP Tenizburgylau to finance implementation of a project on construction of a drilling rig under the following conditions:

- 1) the amount of credit line – 31,316,235,000 (thirty one billion three hundred and sixteen million two hundred and thirty five thousand) tenge;
- 2) the period of credit line – 10 years upon conclusion of a contract on provision of credit line;
- 3) security-missing;
- 4) partial early repayment – without fees;
- 5) remuneration rate – 5.75 per cent per annum without VAT;
- 6) period of grace on repayment of major debt and payment of remuneration – during 3 years upon conclusion of a contract through formation of net positive flow at LLP Tenizburgyla. In order to calculate remuneration accumulated for each year of the period of grace the remuneration amount is annually capitalized;
- 7) remuneration payment– on annual basis upon expiry of the period of grace;
- 8) repayment of major debt – on annual basis upon expiry of the period of grace.

Additional contribution into the chartered capital of LLP KazMunayGas Service to the amount of

3,809,597,176 (three billion eight hundred and nine million five hundred and ninety seven thousand one hundred and seventy six) tenge to implement the strategic project "Construction of the Museum of the History of Kazakhstan in Astana".

- The contract for trust management of gas pipelines of high, middle, low pressure and facilities located on the territory of Zhambyl oblast of the Republic of Kazakhstan between KMG and JSC KazTransGas Aimak.
- The contract for trust management of gas pipelines of high, middle, low pressure and facilities located on the territory of West Kazakhstan oblast of the Republic of Kazakhstan between KMG and JSC KazTransGas Aimak.
- Offsetting agreement between KMG and KMG Karachaganak.
- Increasing of KMG liabilities under Contract on financial aid №190-28 dated June 25, 2012 between KMG and LLP KMG Karachaganak to the amount up to 92,150,000,000 (ninety two billion one hundred and fifty million) tenge, which is 6,08% of KMG own capital through conclusion of Supplementary Agreement No 2 to the Contract on financial aid No 190-28 dated June 25, 2012.
- Agreement on termination of a contract for property trust management dated 20.12.2002 №PA 613/02//178 between KMG and JSC KazTransOil.
- Agreement on termination of contract for property trust management dated 29.12.2003 №14/374-7 between KMG and JSC Intergas Central Asia.



# RESULTS

- Supplement No 4 to Contract No 2882 dated 05.12.2008 for exploration and production of hydrocarbons in Urikhtau field in Mugojarstkiy region of Aktobe oblast of the Republic of Kazakhstan between the Ministry of Oil and Gas of the Republic of Kazakhstan (Authority), JSC National Company KazMunayGas (Subsoil User) and LLP Urikhtau Operating.
- Contribution to the chartered capital of LLP Tenizburgylau to the amount of 81,424,200 (eight one million four hundred and twenty four thousand) tenge for payment of unpaid part of the chartered capital.
- Contribution of additional contribution to the chartered capital of LLP Tenizburgylau to the amount of 350,983,800 (three hundred and fifty million nine hundred and eight three thousand eight hundred) tenge.
- Supplementary agreement №1 to the Contract on financial aid dated May 2, 2013 №11-104-113//142-28 between KMG and JSC OOC KazMunayTeniz.
- Contract on provision of a credit between KMG and Altai Shipping Ltd for Altai Shipping Ltd to early repay the loan to JSC NMSC Kazmorttransflot to ensure further complete early repayment of loan of JSC NMSC Kazmorttransflot under the contract of bank loan dated September 23, 2011 №K037-2011 to JSC ATF Bank.
- Supplementary agreement №4 to the Loan Agreement dated December 31, 2004 No328-25 between KMG and LLP Atyrau Refinery providing a resolution of KMG Board of Directors on amendments into the Agreement.
- Contract on provision of credit (loan) between KMG and JSC KazMunayGas Refinery and Marketing;
- Additional contribution to the chartered capital of LLP KMG Kumkol to the amount of 1,455,300 000 (one billion four hundred and fifty five million three hundred thousand) tenge.
- Contract on provision of credit line between KMG and LLP Pavlodar Petrochemical Plant under the following conditions:
  - 1) the amount of credit line – no more than 47,400,000,000 (forty seven billion four hundred million) tenge;
  - 2) target purpose of credit line – advance payment no more than 300,000,000 (three hundred million) US dollars within liabilities under the Contract on design, supply and construction №9510.06 dated July 30, 2013, concluded between LLP Pavlodar Petrochemical Plant and Rominserv for implementation of the project “Modernization of Pavlodar Petrochemical Plant”;
  - 3) remuneration rate – 4,9 (per cent per annum) without VAT;
  - 4) the period of credit line – till 18 months upon receipt of credit (loan);
  - 5) security – missing;
  - 6) partial early repayment – without fees;
  - 7) payment of major debt – at the end of the period;
  - 8) payment of remuneration – at the end of the period.
- Supplementary agreement №1 to the Contract on financial aid dated April 2, 2012 №110-28//11-47-2012, concluded between KMG and JSC OOC KazMunayTeniz.

- Additional contribution to the chartered capital of LLP KazMunayGas Service to the amount of 19,741,700,000 (nineteen billion seven hundred and forty one million seven hundred thousand) to implement the project “Construction of the Museum of history of Kazakhstan in Astana”.
- Supplementary agreement №3 to the Contract on procurement of scientific research and experimental design works between KMG and JSC Kazakhstan Institute of Oil and Gas №485-32//409-22/2011 dated October 27, 2011 on section “Scientific Research Experimental Design Works – Improvement and management of development system, including scientific expert support for major transactions (Kashagan, Karachaganak and Tengiz)”.
- Contract on assignment of rights and obligations between KMG, JSC Kazakhstan Institute of Oil and Gas and Schlumberger Logelco Inc.
- Contract on assignment of rights and obligations between KMG, JSC Kazakhstan Institute of Oil and Gas and LLP DG-Life equipment.
- Additional contribution to the chartered capital of LLP Urikhtau Operating in the form of subs soil rights under the Contract and property, connected with subsoil rights under the Contract in line with the report on appraisal, assessed value in the amount of 22,104,242,088 (twenty billion one hundred and four million two hundred and forty two thousand eighty) tenge, providing the effect of Supplement No 4 to the Contract for exploration and production of hydrocarbons in Urikhtau field in Mugojarskiy region of Aktobe oblast dated 05.12.2008 No 2882.
- Agreement on termination of Agreement No 164 on attraction of operator under the Contract exploration and production of hydrocarbons in Urikhtau field in Mugojarskiy region of Aktobe oblast dated 05.12.2008 No 2882 between KMG and LLP Urikhtau Operating providing the effect of Supplement No4 to the Contract for exploration and production of hydrocarbons in Urikhtau field in Mugojarskiy region of Aktobe oblast dated 05.12.2008 No 2882.
- Contract on assignment of rights of claims between KMG and LLP Urikhtau Operating providing the effect of Supplement No 4 to the Contract for exploration and production of hydrocarbons in Urikhtau field in Mugojarskiy region of Aktobe oblast dated 05.12.2008 No 2882 Supplementary



# RESULTS

agreement No 3 to the Contract on long-term procurement of scientific research and experimental design works №484-33//408-14/2011 dated 27.10.2011 in the part "Oil and gas exploration". Additional contribution to the chartered capital of LLP Urikhtau Operating to the amount of 3,010 461,967 (three billion ten million four hundred and sixty one thousand nine hundred and sixty seven) tenge.

- Additional contribution to the chartered capital of LLP KazMunayGas Service to the amount of 13 320 987 863 (thirteen billion three hundred and twenty million nine hundred and eighty seven thousand eight hundred and sixty three) tenge.
- Contract on provision of services between JSC NC KMG and JSC KMG EP.
- Preliminary contract on oil transportation via the territory of the Republic of Kazakhstan and guarantees between OJSC NC Rosneft, KMG and JSC KazTransOil, signed on November 11, 2013.
- Supplementary Agreement No 1 to the Contract for trust management of gas pipelines of high, middle, low pressure and facilities on them, located on the territory of West Kazakhstan oblast of the Republic of Kazakhstan No 259-21 dated 20.09.2013 between KMG and JSC KazTransGas Aimak.
- Supplementary Agreement No 1 to the Agreement for trust management of gas pipelines of high, middle and low pressure and facilities on them, located on the territory of Zhambyl oblast of the Republic of Kazakhstan №260-21 dated 20.09.2013 between KMG and JSC KazTransGas Aimak.

Contract on financial aid between KMG and LLP Aktaunefte servis to cover deficit of monetary funds under the following conditions:

- 1) amount of financial aid – 6,675,860,000 (six billion six hundred and seventy five million eight hundred and sixty thousand) tenge;
- 2) period of financial aid – 1 (one) year upon conclusion of contract on financial aid
- 3) security – missing;
- 4) partial early repayment – without fees;
- 5) remuneration rate – not applicable;
- 6) repayment of major debt – at the end of the period.



# ASSET STRUCTURE

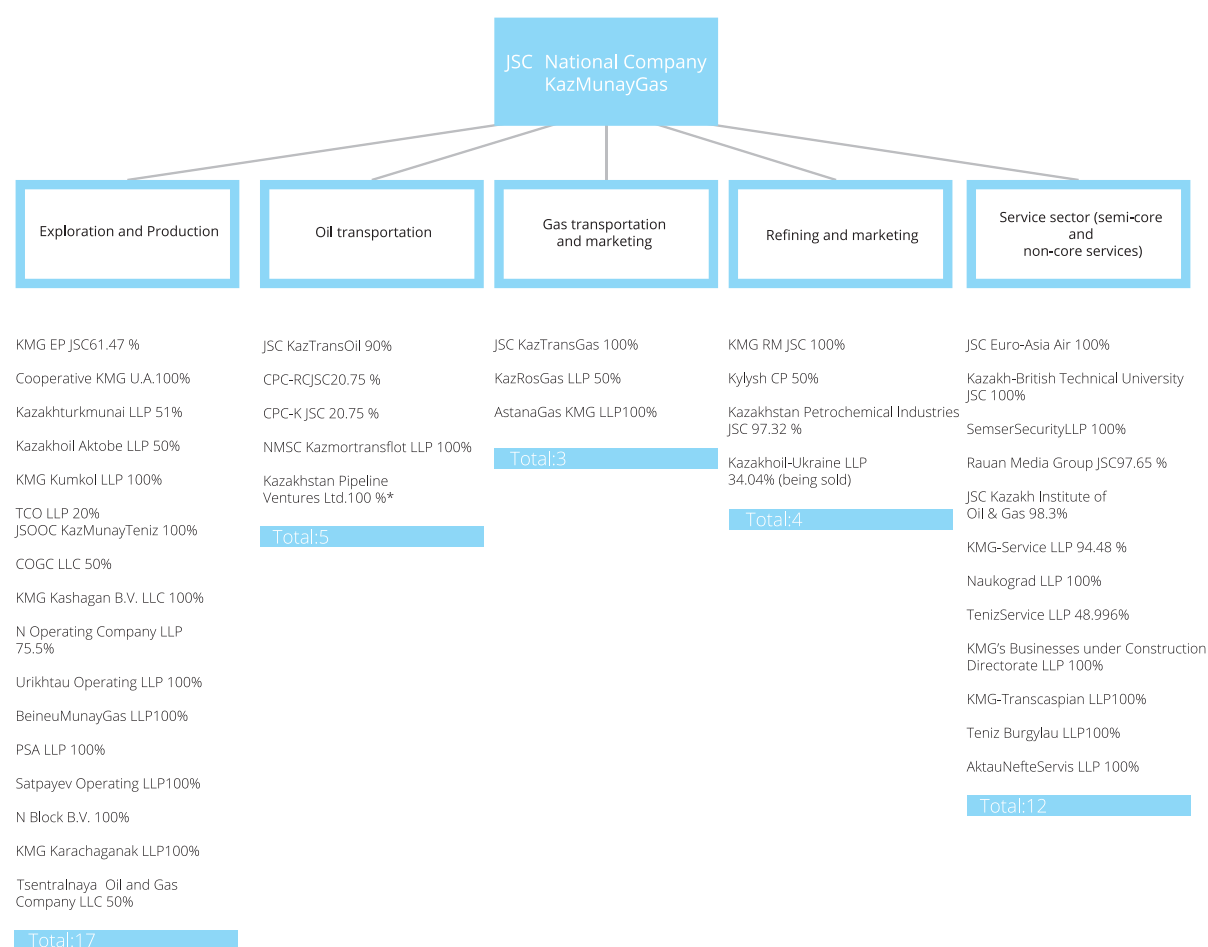




# ASSET STRUCTURE

## as at 31 December 2013

**KMG GROUP INCORPORATES 222 COMPANIES, INCLUDING THE CORPORATE CENTRE OF JSC NC KAZMUNAYGAS, 170 SUBSIDIARY ENTITIES (SES) OF ALL LEVELS AND 51 ASSOCIATED AND JOINT ENTITIES.**



\* Consolidated size of the block of shares/participatory interest of JSC NC KazMunayGas

# LIST OF SUBSIDIARY AND DEPENDENT ENTITIES OF JSC NC KAZMUNAYGAS

Entity	First and second-tier subsidiary, dependent and other entities	Entity in relation to the parent (SE, DE, JCE, ME) *	Ownership %
KazMunayGas EP JSC		SE	61.47 %
	Embamunaygas JSC	SE	100%
	Ozenmunaygas JSC	SE	100%
	CBKO LLP	SE	100%
	Akniet-Emba LLP	SE	100%
	Embaokuortalygy LLP	SE	100%
	KRUZ LLP	SE	100%
	Zhondeu LLP	SE	100%
	Ken-Kurylysservice LLP	SE	100%
	KMG EP Catering LLP	SE	100%
	KazGPZ LLP	SE	100%
	UDTV LLP	SE	100%
	KMG-Service	DE	5.71 %
	JV Kazgermunay LLP	JCE	50%
	JSC KING	DE	1.70%
	JSC Kazakhstan Petrochemical Industries	DE	2.68 %
	Munaishy Holdings Limited	SE	100%
	COÖPERATIEF KMG EP U.A.	SE	95.10%
	KMG EP NETHERLANDS ENERGY COÖPERATIEF U.A.	SE	95.1%
	KMG EP Exploration Assets LLP	SE	100%
	Support Service Vehicles and Well Servicing Administration LLP (UTTIOS)	SE	100%
	Drilling Works and Well Servicing Administration LLP (UBRIOS)	SE	100%

# ASSET STRUCTURE

<b>JSC KazTransGas</b>	<b>SE</b>	<b>100%</b>
JSC KTG Aimak	SE	100%
JSC Intergas Central Asia	SE	100%
KazTransGas-Almaty JSC	SE	100%
KazTransGas Onimderi LLP	SE	100%
Beineu-Shymkent Gas Pipeline LLP	JCE	50%
Asian Gas Pipeline LLP	JCE	50%
KyrKazGas LLC	JCE	50%
KazTransGas-Tbilisi OOO	SE	100%
Amangeldy Gas LLP	SE	100%
KazTransGas AG, Lugano	JCE	50%
Intergas Finance B.V.	SE	100%
<b>JSC KazTransOil</b>	<b>SE</b>	<b>90%</b>
MunaiTas North-West Pipeline Company JSC	JCE	51%
Kazakhstan-China Pipeline LLP	JCE	50%
JSC RSP of Halyk Bank of Kazakhstan	ME	0.8804 %
<b>JSC KazMunayGas-Refining &amp; Marketing</b>	<b>SE</b>	<b>100%</b>
KMG-Astana LLP	SE	100%
KazMunayGas-Onimderi JSC	SE	100%
Atyrau Refinery LLP	SE	99.49 %
TH KazMunayGas N.V.	DE	100%
TH KazMunaiGaz A.G (Lugano)	DE	100%
JSC Kaskor-Transservice	SE	12.87%
TransMunai OOO	SE	50%
Eurasia Munai Impex LLP	SE	100%
PPCP JSC	SE	100%
<b>NMSK KazmortransflotLLP</b>	<b>SE</b>	<b>100%</b>
Kazmortransflot UK LTD	SE	100%
Kazmortransflot LTD	SE	100%
Alatau Shipping Ltd	SE	100%
Altai Shipping Ltd	SE	100%

<b>KazMunayTeniz JSOOC</b>	<b>SE</b>	<b>100%</b>
Kurmangazy Petroleum LLP	SE	100%
Caspi Meruerty Operating Company B.V. Branch	JCE	40%
Zhambyl Petroleum LLP	SE	100%
Zhambay LLP	JCE	50%
Caspi Development Centre LLP	ME	6.80%
<b>KazRosGas LLP</b>	<b>JCE</b>	<b>50%</b>
Kairat Football Club LLP	SE	70%
<b>Kazakhoi-Ukraine LLP</b>	<b>SE</b>	<b>34.04%</b>
Ukrnefteprodukt TH LLP	SE	99.996%
<b>KMG-Service LLP</b>	<b>SE</b>	<b>100%</b>
KMG-Service Georgia LLC	SE	100%
Altyn Tolkyin LLC	SE	100%
JSC Aysir Turizm ve Insaat A.S.	SE	75%
KazMunayGas-Service Compass LLP	JCE	40%
Za rulyom LLP	SE	100%
KazTransOil-Service JSC	SE	100%
<b>JSC Kazakh-British Technical University</b>	<b>SE</b>	<b>100%</b>
KBTU's Institute of Petroleum Engineering and Information Technology LLP	SE	100%
D.V. Sokolsky Institute of Organic Catalysis and Electrochemistry JSC	SE	100%
A. B. Bekturov Institute of Chemical Science JSC	SE	100%

# ASSET STRUCTURE

Kazakh Institute of Oil and Gas JSC	SE	100%
JSC NIPI Caspimunaygas	SE	100%
JSC KazNIPI MunayGas	SE	100%
JSC Petrodata Kazakhstan	JCE	50%
Technip-Kazakhstan JV LLP	JCE	50%
Investment Research Agency LLP (AIRI)	JCE	40%
KING Research-and-Development Centre LLP (KING RDC)	SE	100%
KPJV Limited	JCE	20%
<b>Rauan Media Group JSC</b>	<b>SE</b>	<b>97.65 %</b>
Rauan Publishing House LLP	SE	100%
TV & Radio Company NS - Radio Nationwide Network LLP	SE	100%
Izvestiya-Kazakhstan LLP	SE	80%
New Television - Kazakhstan LLP	SE	100%
Television of the City of Astana LLP	DE	40%
New Television - Kazakhstan LLP	SE	100%
<b>Semser Security LLP</b>	<b>SE</b>	<b>100%</b>
Semser ort sondirushi LLP	SE	99.80%
<b>Teniz Service LLP</b>	<b>JCE</b>	<b>48.996%</b>
Kaz M-I LLP	JCE	51%
<b>JSC Euro-Asia Air Airlines</b>	<b>SE</b>	<b>100%</b>
<b>JSC Kazakhstan Petrochemical Industries</b>	<b>JCE</b>	<b>97.32 %</b>
JV Caspi Bitum LLP	JCE	50%
<b>Kazakhoil-Aktobe LLP</b>	<b>JCE</b>	<b>50%</b>
<b>Kazakhturkmunay LLP</b>	<b>JCE</b>	<b>51%</b>
<b>Kashagan b.v. LLC</b>	<b>SE</b>	<b>100%</b>
North Caspian Operating Company - NCOC	JCE	16.81%
North Caspian Production Operating Company - NCPOC	JCE	50%
NCTMC B.V.	Others	16.81%
<b>KMG Kumkol LLP</b>	<b>SE</b>	<b>100%</b>

Cooperative KazMunaiGaz U.A.	SE	95.1%
KMG Finance Sub B.V.	SE	100%
KMG Finance B.V.	SE	100%
KMG Hvalynskoye Finance B.V.	SE	100%
Kazakhstan Energy Reinsurance Company LTD	SE	100%
Mangistau Investment B.V.	JCE	50%
Kazakhstan Pipeline Ventures LLC	JCE	50.1%
KMG Investments B.V.	SE	100%
CPC-K JSC	ME	1.75%
CPC-R CJSC	ME	1.75%
Caspian Pipeline Ventures LLC	JCE	49.9%
CPC-K JSC	ME	19%
CPC-R CJSC	ME	19%
Caspian Oil and Gas Company LLC	JCE	50%
Tengizchevroil LLP	JCE	20%
Tengizchevroil Finance Company	SE	100%
Tengizchevroil International Bermuda Limited	SE	100%
KylyshCommercial Partnership	JCE	50%
N Operating Company LLP	JCE	51%
KMG-Transcaspi LLP	SE	100%
Teniz Burgylau LLP	SE	100%
AktauNefteServis LLP	SE	100%
Urihtau Operating LLP	SE	100%
KMG's Businesses under Construction Directorate LLP	SE	100%
Naukograd LLP (at the liquidation stage)	SE	100%
PSA LLP	SE	100%
AstanaGas KMG LLP	SE	100%
BeineuMunayGas LLP	SE	100%
Satpayev Operating LLP	SE	100%
Arkagaz JSC	SE	100%
KMG Karachaganak LLP	SE	100%
Karachaganak Petroleum Operating B.V.	ME	10%

\* SE – subsidiary entity

DE – dependent entity

JCE – jointly-controlled entity

ME – miscellaneous entity



# KEY AREAS OF DEVELOPMENT

## COMPANY'S PLANS FOR 2014

Under KMG's Development Plan, KMG's production performance indicators for 2014 were approved, aimed to implement the Strategy:

Name	Unit	2014
Proven recoverable oil and condensate reserves	<i>mn tons</i>	768.3
Volume of oil and gas condensate production	- " -	22.577
Gas output	<i>bcm</i>	5.28
Refining throughput	<i>mn tons</i>	17.452
Oil transportation volume (by trunklines and marine fleet)	- " -	72.18
Oil turnover (MOPs)	<i>mn tkm</i>	45,980
Gas transportation volume	<i>bcm</i>	113.9
Production of road asphalt	<i>thousand tons</i>	560
Conversion depth	%	
<i>Atyrau Refinery</i>		63.3
<i>PKOP</i>		74
<i>The Rompetrol Group</i>		98.1
<i>PPCP</i>		74
Commercial gas sales (KTG)	<i>mn cub. m</i>	14,562
<i>to domestic market</i>		12,136
<i>exports</i>		2,426
Oil products sales	<i>mn tons</i>	10.21
<i>in KMG-RM JSC</i>		2.67
<i>in The Rompetrol Group</i>		7.54
Export oil sales (in the KMG-RM JSC)	<i>mn tons</i>	9.46

# KEY AREAS OF DEVELOPMENT

## INVESTMENT PORTFOLIO

### Ongoing investment projects by business area

	Draft	Estimated implementation period	Brief description of the project
Upstream	'N' Project	2007–2059	Increasing the resource base and the growth in HC reserves
	Urikhtau	2008–2038	
	Satpayev	2010–2016	
	Zhambyl	2008–2014	
	Kansu project	2013–2019	
	Zhemchuzhiny	2005–2040	
	Development of the Amangeldy group of gas fields	2012–2017	
	Focsani	2005–2032	
Downstream	AR reconstruction and modernization, incl.:		- Output of high added value products – benzene and paraxylene.
	Stage 1: Atyrau Refinery-based Aromatics production complex construction	2010–2014	- Production of motor fuels meeting the requirements of the K-3 emission standard. - Increasing the refinery's capacity to 5.0 mn tons annually.
	Stage 2: Construction of the Deeper Oil Conversion Complex in the Atyrau Refinery	2012–2016	- Increasing the efficiency of secondary processes and oil conversion ratio to 84%. - Increasing white products output to 77%. - Enhancing the quality of motor fuels meeting the K-5 environmental requirements.
	Production of road bitumens	2009–2013	- Increasing the refinery's capacity to 5.5 mn tons annually. Crude oil refining and satisfaction of the domestic demand with high quality bitumen (asphalt).
	Shymkent Refinery Reconstruction and Modernization	2010–2016	- Output of gasolines and diesel in accordance with the Euro-4, 5 environmental quality standard from 1 January 2016. Increasing the refining volumes to 6 mn tons annually. - Increasing the conversion ratio up to 90%.
			- Increasing the refinery's capacity to 7.0 mn tons of oil annually.
	Pavlodar PP Modernization	2012–2016	- Ensuring output of motor fuels as per the requirements of the K-4, K-5 emission standards. - Providing the opportunity to refine Kazakh oil in the volume of 5.2 mn tons annually.

Downstream	Development of the oil products retail network of KazMunayGas in 2006–2011.	2006–2013	Construction of new facilities (service stations, oil depots), acquisition of the existing facilities (service stations, oil depots) and reconstruction of the facilities purchased, modernization of the retail network of service stations through automation of the control systems, purchase of vehicles.
	Purchase of 40 service stations and 20 gasoline tank trucks	2013–2014	Purchase of the existing service stations and reconstruction of the purchased service stations, purchase of transportation vehicles. - Construction of the own gas filling stations to the number of 6 units.
	Expansion of the network of gas filling stations in the Mangistau Province	2012–2014	- Expansion of the retail network facilities will make it possible to create a favourable platform for brand awareness and recognition of KazMunayGas by the population. - Increasing the volumes of gas sales.
	Development of the retail network in the Black Sea region. Stage 1 - Romania	2013–2016	Increasing the volume of The Rompetrol Group's retail market from the current 832,642 cub. m in 2013 to 1,346,887 cub. m in 2017.
Transportation Infrastructure	Construction of the Beineu-Bozoi-Shymkent gas pipeline	2011–2014 (stage 1) 2014–2015 (stage 2)	Provision of the RoK's southern regions with natural gas, export gas deliveries to China, ensuring the RoK's energy security.
	Construction of the Kazakhstan-China Gas Pipeline (Line A and B)	2008–2012	Provision of natural gas transportation from Turkmenistan to China across the RoK's territory.
	Construction of the Kazakhstan-China Gas Pipeline (Line C)	2012–2016	Provision of natural gas transportation from Turkmenistan to China across the RoK's territory.
	Modernization of the SKP's (South-Kazakhstan Province) GDS	2010–2016	Ensuring uninterrupted gas supply, increasing volumes of gas transportation and sales, reducing gas losses, extending the useful life of gas pipelines.
	Creation of a sulphur granulation production base	2013–2015	Production of pelletized sulfur at the production base, its storage, packing, shipment and transportation by rail as per the international requirements, in order to ensure uninterrupted processing of the Karachaganak field gas using the capacity of the Orenburg Gas based Chemical Complex. Planned production capacity up to 500 thousand tons of granulated sulphur annually.
	Development of turbo-compressor department No.4 of the Makat compressor station	2011–2013	Optimizing operation of the CAC gas-transportation system, curbing the operating costs.
	Provision of gas supply to Almaty and the suburban area	2011–2013	Expanding the market, increasing the volumes of gas transportation and sales, creating conditions for connection of new consumers.
	Provision of gas supply to Kyzylorda - Stage 1 and 2	2011–2013	The project provides for expansion of provision of gas supply to the city of Kyzylorda, provision of a ring gas-distribution system in Kyzylorda.

# KEY AREAS OF DEVELOPMENT

Transportation Infrastructure	Construction of a high-pressure gas pipeline branch to the gas-derived chemicals integrated plant (GDCIP) in the Atyrau Province.	2013	As part of the implementation of the project, there will be construction of a gas pipeline branch from the Makat - North Caucasus TGP (length: 7.67 km; D: 325 mm) with installation of an automatic gas-distribution station (AGDS) and a gas custody metering station.
	Connection of the city of Kyzylorda to the 'Beineu-Shymkent' TGP	2013	As part of the project implementation, there will be 3-phase engineering and construction: Phase I - linear part of the gas pipeline provides for construction of: - a 24.068 km gas pipeline branch from the point of connection to the BBSH TGP to the AGDS-2 being designed, with the throughput capacity of 160 mcm/h; - a 2.9 km high pressure supply pipeline from AGDS-2 to the existing circular urban gas pipeline of Kyzylorda; - temporary stopping between the gas pipeline branch and the supply pipeline (at the initial stage of operation of the BBSH TGP) with the length of 46 m. Phase II - installation of gas pressure reducing systems. Phase III - installation of AGDS-2 with the capacity of 160 mcm/h, mcm/h, number of output lines - 2, incl. the line being designed - 90 mcm/h (stage I), prospective - 70 mcm/h (full development).
	Provision of gas supply to the city of Zaisan in the EKP	2013–2014	Expanding the market, creating conditions for connection of new consumers.
	Modernization of the GDS of the city of Taraz	2011–2019	Ensuring uninterrupted gas supply, increasing volumes of transportation and sales, reducing gas losses, extending the useful life of gas pipelines, increasing the throughput capacity of the system.
	Construction of a supply pipeline to the city of Turkestan	2013	Expanding the market, creating conditions for connection of new consumers.
	Construction of PS No.8 and PS No.10 of the Atasu-Alashankou oil pipeline as part of the project 2 <sup>nd</sup> phase of the second stage of the Kazakhstan-China OP construction	2012–2013	Project implemented.
	Expanding the throughput capacity of the Batumi Seaport OOO for transshipment of general cargoes to 2.5 mn tons annually	2012–2014	Increasing the production capacity of the Batumi Seaport OOO to 2.5 mn tons of general cargoes annually.
	Second train of the second stage of the Kazakhstan-China oil pipeline construction. Increasing the capacity to 20 MMtpa	2013–2014 (stage 1) 2015–2018 (stage 2)	Second stage includes reconstruction and expansion using own resources of the Kazakhstan-China oil pipeline system from Atyrau to Alashankou of the corresponding sections: MunaITas NWPC JSC - the Kenkiyak-Atyrau oil pipeline, Kazakhstan-China Pipeline LLP - Kenkiyak-Kumkol and Atasu-Alashankou oil pipelines, and JSC KazTransOil - oil pipelines on the Kumkol-Karakoin-Atasu section.

Support-sector projects	Purchase of 2 Augusta Westland 139 helicopters.	2011–2014	Purchase of two AW-139 offshore configuration helicopters for flights to offshore platforms and island, and providing services meeting international quality standards, entailing receipt of contracts with major industrial enterprises.
	JUR construction	2012–2015	Expansion in the volume of offshore drilling operations in the Caspian Sea is accompanied by shortage in jack-up drilling rigs, effectively slowing down implementation of the actions to develop the Kazakhstan sector of the Caspian Sea. With putting the JUR into operation, services for construction of offshore oil and gas wells by the national drilling company will be rendered in the RoK for the first time. The said fact will promote creation of the domestic offshore drilling services sector, and effectively comply with the RoK's policy on development of the support infrastructure for petroleum operations.

## PROMISING INVESTMENT PROJECTS BY BUSINESS AREA

	Project	Estimated implementation period	Brief description of the project
Transportation Infrastructure	Reconstruction of the Kalamkas-Karazhanbas-Aktau and Uzen-Zhetybai-Aktau trunk oil pipelines	2013–2014	Ensuring diversification of deliveries of the Buzachi oil produced and oil transportation from the new KSCS fields under development in the direction of the Uzen HO (head oil) and Aktau HO and further to Atyrau.
	Construction/purchase and operation of 2 multi-purpose ferries	2013–2016	Diversification of business and earning additional income from marine transportation of all kinds of cargoes by rail cars, tank cars and highway freighters, including transportation of oil and oil products.
Support-sector projects	Ship-building/ship-repair yard in Kuryk	2014–2019	The shipyard is designed for construction and maintenance of marine vessels with the deadweight of up to 15,000 tons with an expansion for vessels up to 60,000 tons.
	Gas turbine power plant in the West-Kazakhstan Province	2014–2017 (stage 1) 2020–2021 (stage 2)	Construction of a gas turbine power plant with the capacity of up to 150 MW will have a positive effect on the economy of the West-Kazakhstan Province, resolve the problem of the electrical shortage and eliminate the dependence on electric power imports.

# KEY AREAS OF DEVELOPMENT

## ESTIMATED INCOME

Target indicators of KMG's operating and non-operating income were formed.

*mn KZT*

	2014	2015	2016	2017	2018
Income from sales	2,453,335	2,646,867	3,114,820	3,176,063	3,385,218
Income from sales	2,399,075	2,599,186	3,066,335	3,127,794	3,343,470
Financial income	32,468	33,653	34,540	31,434	28,165
Miscellaneous income	21,792	14,027	13,944	16,836	13,584
Net income	334,619	382,358	474,414	483,820	467,499





# RISK MANAGEMENT

JSC NC KazMunayGas implements risk management system on a consolidated basis taking into account covering risks in its subsidiary and dependent entities, by means of creating a corporate risk management system (CRMS).

The methodology of CRMS corresponds to the recognized international practice of oil industry risk management, which is based on the methodology of the Committee of Sponsoring Organizations of the Treadway Commission.

Implementation of an effective CRMS which allows identifying, forecasting and managing material risks implies staged realization of measures, as well as regular implementation of the process of corporate risk management, which includes:

- development of the internal environment of the corporate risk management system;
- integration of risk management in other business processes;
- identification and assessment of risks;
- development of effective measures for risk management;
- implementation of measures for risk management and risk monitoring;
- ongoing improvement of the CRMS procedures.

## EFFICIENCY OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

During 2013, in order to exercise control over the efficiency of risk management, the Board of Directors hear on a quarterly basis reports on:

- classification and analysis of the key risks;
- observation of the risk limits;
- implementation of the plans for minimization of risks.

Furthermore, the Board of Directors, together with the Audit Committee and the Internal Audit Service, performed evaluation of the efficiency of KMG's internal control system over 2013, broken down by the following components:

- control environment;
- risk assessment;
- control procedures;
- information and its transmission;
- monitoring.

In 2013, the Company implemented a number of measures for improvement of the corporate system of insurance protection, implementation of the internal control system, risk identification and assessment. Measures to increase employee awareness of the risk management system and internal control system are implemented in the company on an ongoing basis.

## MAIN MEASURES FOR IMPLEMENTATION OF CRMS AND INTERNAL CONTROL IN 2013

### January – April

JSC NC KazMunayGas expanded its enterprise risk insurance programme, namely, in 2013 the number of the enterprise insurance programme participants was increased by 27% as compared to 2012.

**January – March**

8 workshops on the enterprise risk management system and internal control system were held for KMG's structural subdivisions.

**March**

Enterprise level risk-control matrix of KMG was approved by an order of Chairman of Management Board on 13 March.

**September-December**

Identification and assessment of risks was conducted taking into account covering risks in the subsidiary and dependent entities.

**October – December**

As part of ensuring operation of the internal control system, Risk & Control Matrices were updated on 27 business processes of JSC NC KazMunayGas, the ICS software database created to simplify the work with matrices of risks and controls of business processes of JSC NC KazMunayGas was updated.

Below is the non-exclusive list of risks with significant influence on the company's operations. The company carries out periodic valuation of risks in accordance with the internal methodological documents on risk management.

**Interest rate risk**

The company's activity is exposed to the interest rate risk, which may negatively impact the cost of placing temporarily free cash (TFC) and, accordingly, the financial performance of the company. To minimize this risk, the company carries out diversification of placement of the treasury investment portfolio in financial instruments within the set parameters, and regular monitoring of TFC placement in the KMG group of companies. As a result of risk management, the company ensures the required return on TFC.

**Inflation risk**

Change in the consumer price index exerts influence on the company's financial standing, however, the existing and forecast inflation levels are not critical for the company. In 2013 the company did not take measure to minimizing the inflation risk.

**Market risks**

The company is sensitive to the volatility of the market prices of oil, exchange rates and floating interest rates on loans. A reduction in the oil prices will considerably deteriorate the company's financial performance. KMG carries out mathematic simulation of the price risk every 10 days using the internal model Cash Flow / Earnings at risk (CFaR / EaR) for assessment of price risks. The company is capable of prompt optimization of costs and capital expenditures to fulfill its obligations when the oil price reduces, and does not exclude the possibility of acquiring financial instruments for protection against a material fall in oil prices.

In 2013 the company set about developing the Market Risk Management Regulations. Being a heavy borrower, the company is exposed to the risks related to change in the interest rates. The interest rate on loans is based on the interbank loan rates LIBOR and EURIBOR, whose increase

# RISK MANAGEMENT

may lead to appreciation of KMG's debt servicing. In 2013 the company did not take measure to minimize the risk, as it did not expect material growth in the loan rates.

## **Tax risks**

The basic tax risk factor is varying interpretation of the RoK's tax legislation. The company cannot influence resolutions of tax authorities in respect of additional charge of taxes, penalties and fines based on unlawful interpretation of the tax legislation. In order to minimize tax risks, the company improves the tax administration processes.

## **Geologic risks**

The company actively makes efforts in the main strategic business area – buildup of the hydrocarbon reserves and production. In carrying out exploration works there is always the risk of non-commercial discovery of hydrocarbon deposits and/or drilling of carrying a 'dry' hole. Wildcat drilling bears the risks of additional unforeseen costs due to complex geological environment, abnormal reservoir pressure, unfavorable weather conditions, lack and late delivery of drilling rigs and equipment. To reduce the exploration risk, KMG is using new technology in processing and interpretation of seismic data. Liaising with the world's leading companies makes it possible to actively introduce the modern exploration and oil production technology.

## **Governmental regulation**

A number of KMG's subsidiaries hold the dominant and monopolistic position on the corresponding commodity market: oil products market, gas market. Changes in the sphere of anti-monopoly regulation, and recognition of the company's actions as violation of the antimonopoly laws, and further application by an anti-monopoly authority of punitive sanctions may negatively affect the results of the financial and economic activities. The company performs continuous monitoring of changes in the anti-monopoly laws, and on a timely basis files applications to the RoK's ARNM on the regulated tariffs and prices.

## **Country risks**

The company conducts operations in foreign states, such as placement of cash on current/correspondent, and deposit accounts in financial entities of foreign states, acquisition of foreign state issuers' securities, implementation of investment projects overseas through creation of affiliated legal entities, joint ventures, acquisition of participatory interest in foreign companies. Any changes in the economic and political situation of a recipient country (a foreign state KMG (or) its subsidiary and dependent entities cooperate or plan to cooperate with), military actions or inter-state conflicts, may negatively affect the company's financial performance. The company limits the level of country risks through setting country limits based on analysis of the recipient country (from the economic, political, strategic, social and other perspectives).

### **Employee strikes**

The company carries out its production operations in the regions with high social and economic risks exerting material effect on the company's operations. The risk of employees' strike has been repeatedly realized in the company's production assets in the past and exerted significant influence on the company's production performance. In order to minimize this risk, KMG has developed standard documents for the KMG group of companies, regulating the matters of social support. To set common compensation policy for the employees of the KMG group of companies, a working group was created, which is comprised of representatives of the subsidiary and dependent entities. In order to produce recommendations for KMG concerning development and strengthening of social partnership, liaising of trade union associations and representatives of staff, and concerning the matters of settling employment disputes and conflicts in SDEs, the Council for Development of Social Partnership and Settlement of Employment Disputes and Conflicts was created based on the order of Chairman of Management Board of 2 August 2013 (order No. 254 a).

The company makes consistent efforts on the matters of corporate social responsibility, including: annual meetings of the chief executive officers with the production teams, ensuring feedback between the management and the team, public awareness efforts at the places of production, meetings of KMG's management with the staff of production facilities.

### **Safety, Health and Environment**

The company's production operations bear the risks of damage to the life and health of the employee, and harm to the environment. The following can fit into such risks: the risk of industrial accidents, emergency situations, oil spills during offshore operations, oil spills in case of illegal tapings in oil pipelines, imposition of punitive sanctions for exceeding the standards of associated gas flaring, imposition of punitive sanctions for exceeding greenhouse gas emission quotas, imposition of punitive sanctions for late disposal of the accumulated historical waste. Consequences of such risks may negatively affect the company's reputation, and financial and operating activities. On 24 July 2012, KMG approved KMG's Comprehensive Programme in Occupational Health and Safety for 2012–2016 for the purposes of minimizing these risks. The company on a phased basis introduces modern engineered safety features and carries out optimization of the security activities on the most crime-prone sections of oil pipelines. In order to ensure systemic approach to accomplishment of environmental tasks, including gas disposal, the company has development and is implementing the Comprehensive Environmental Program for 2006–2015.



# CORPORATE GOVERNANCE

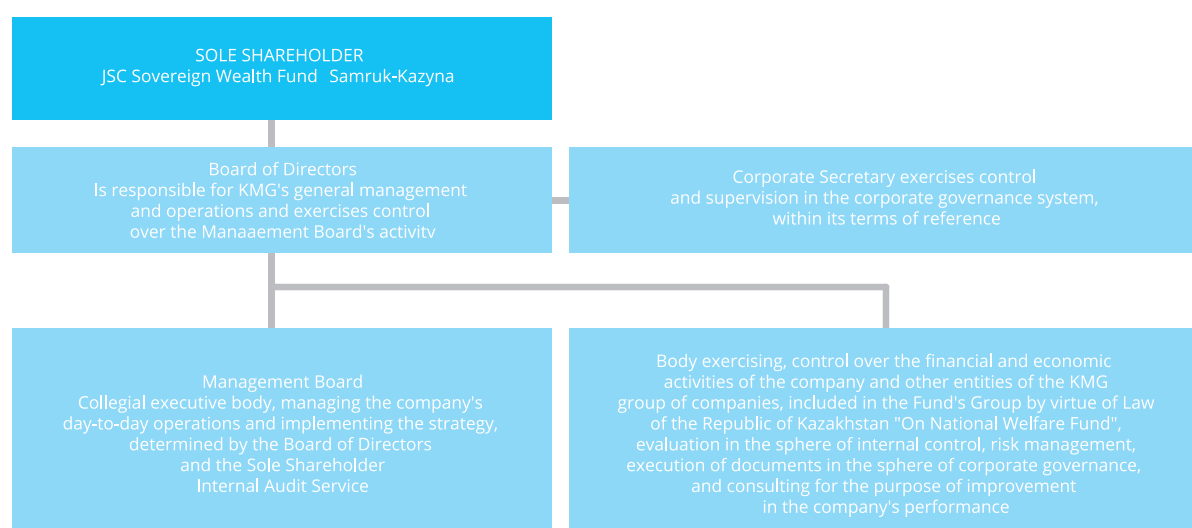
The system of corporate governance of JSC NC KazMunayGas is based on the respect to the rights and legitimate interests of the Sole Shareholder and the key stakeholders – the state, strategic partners, employees of KMG, and is oriented to lowering investment risks, increasing investment attractiveness, decreasing the cost of debt and own capital and increasing the Company's value.

A structure of corporate governance existing in JSC NC KazMunayGas is being improved on a continuing basis in terms of achievements of the management practice in Kazakhstan and around the world, and in compliance with the adopted international standards. Analysis of the corporate governance for 2013 demonstrated that the corporate governance rating in KMG made up 71,7%.

Fundamental principles established in KMG's Corporate Governance Code:

- protection of rights and interests of the Sole Shareholder;
- efficient management of the Company by the Board of Directors and the Management Board;
- independent functioning of the Company;
- transparency and objectiveness of the disclosed information about the Company's activities;
- legality and ethics;
- efficient dividend policy;
- efficient human resource policy;
- environment protection;
- settlement of corporate conflicts and interest conflicts;
- responsibility.

## CORPORATE GOVERNANCE BODIES



# CORPORATE GOVERNANCE

## DISTRIBUTION OF COMPETENCE BETWEEN KMG'S BOARD OF DIRECTORS AND MANAGEMENT BOARD

The Board of Directors performs general management of KMG's activities, and exercises control over the efficiency of the corporate governance practices in the company; in addition, it tracks and, when possible, eliminates potential conflicts of interest at the level of officials and the shareholder, including misuse of KMG's property and abusive practices in interested-party transactions.

The Management Board performs management of KMG's day-to-day operations.

Board of Directors of JSC NC KazMunayGas is responsible to the Sole Shareholder for effective management and proper control over the activity of the company and for ensuring a proper dialog with the Sole Shareholder. The Board of Directors determines the directions of strategic development of KMG, considers and passes resolutions related to the issues of potential acquisitions and other significant financial issues.

The Board of Directors of JSC NC KazMunayGas does not only make management decisions, but keeps track of the development dynamics of corporate governance processes as well. For example, the Transparency Report and Report on Following Corporate Governance Principles shall be submitted for consideration of the Board of Directors of JSC NC KazMunayGas.

Corporate Secretary is directly subordinate and accountable to KMG's Board of Directors in the Company's organizational structure and corporate governance system. In accordance with its status, the Corporate Secretary is:

- a person responsible for implementing the corporate governance procedures established by the laws of the Republic of Kazakhstan, and for implementing recommendations of the 'corporate governance best practices' adopted by the Company and recognized in its internal documents approved by the Board of Directors or the Sole Shareholder;
- a person ensuring maintenance of systematic communications between the Company and the Sole Shareholder, between the Sole Shareholder and the Board of Directors, the Internal Audit Service, the Management Board, and other bodies of the Company, between the Company and its stakeholders;
- a person performing systematic monitoring of the laws of the Republic of Kazakhstan in the sphere of corporate governance (corporate legislation), and the trends of 'the corporate governance best practices'.

The Management Board is responsible for the implementation of the strategy and for the current activity of KMG. The Management Board reports to the Board of Directors about the performed work for the achievement of KMG's objectives. The Management Board of JSC NC KazMunayGas has five following Committees: Investment Committee, Committee on Major Oil-and-gas Projects, Planning Committee, Credit Committee. The Committees preliminarily consider and analyze the issues within the competence of business directions and SDEs, which are to be submitted for consideration of the Company's Management Board, in order to make justifiable and effective decisions on business planning, investment projects, on the matters of asset management, on major oil-and-gas projects, on SDEs' matters etc.

Centralized internal audit service reports and is accountable to the Board of Directors of JSC NC KazMunayGas and is supervised by the Audit Committee under the Board of Directors of JSC NC KazMunayGas.

In its operations, the services relies on the laws of the Republic of Kazakhstan, KMG's internal documents and the International Standards for the Professional Practice of Internal Auditing.

The main task of the Internal Audit Service is to provide to the Board of Directors independent and objective information, intended for ensuring effective management of JSC NC KazMunayGas and its SDEs, by means of employing a systemic approach to the improvement of the risk management, internal control and corporate governance processes.

Carrying out its activities in accordance with the annual audit plan, the Service is to accomplish the following objectives:

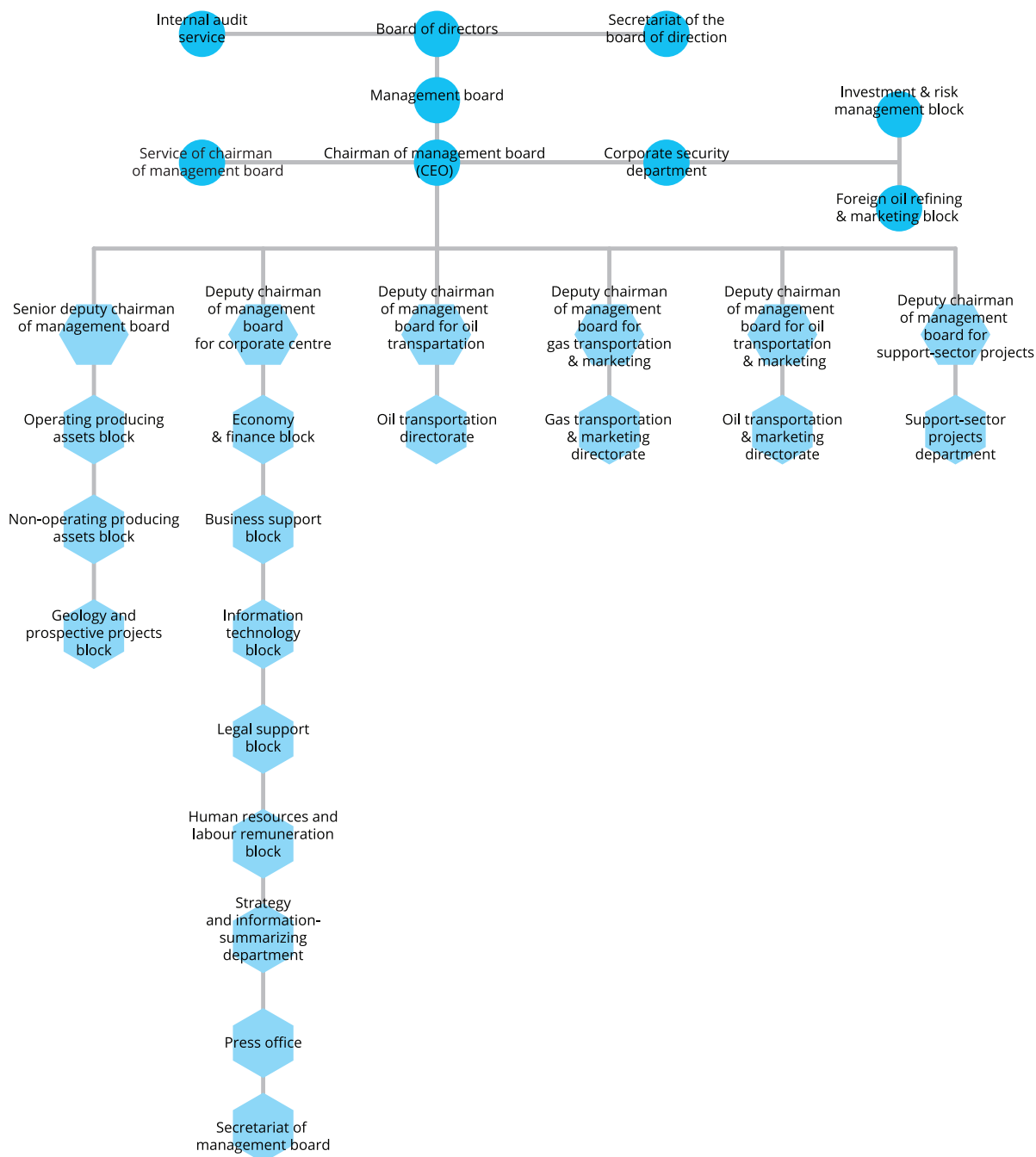
- evaluation of the reliability and efficiency of the internal control and risk management procedures applied;
- evaluation of the accuracy, completeness, objectivity of the accounting system and compilation of financial reporting in KMG and its SDEs based thereon;
- evaluation of the rationality of the use of resources by KMG and its SDEs, and the methods applied for ensuring security of assets;
- control over compliance with the RoK's statutory requirements, corporate norms and the regulations of the operating, investment and financial activity.

In order to eliminate the identified inconsistencies, the audited entities develop Plans of Corrective Actions on the inconsistencies found. The Internal Audit Service constantly monitors implementations of the recommendations issued during audit checks.

To boost the efficiency of operations of the JSC NC KazMunayGas group of companies, monitoring of and control over timely provision of audited entities' reports on following audit recommendations and implementation of the Plans of Corrective Actions have been included in the KPIs of Chairman of Management Board of JSC NC KazMunayGas, and Managing Directors supervising the company's SDEs.

# CORPORATE GOVERNANCE

## COMPANY'S ORGANIZATIONAL STRUCTURE as at 31 December 2013



## INTERACTION WITH THE SHAREHOLDER

The Sole Shareholder of JSC NC KazMunayGas is JSC Sovereign Wealth Fund Samruk-Kazyna, which holds 100 percent of shares of JSC National Company KazMunayGas.

KMG's Board of Directors understands the importance of the permanent and effective communication with the Sole Shareholder. The Company provides to the Sole Shareholder timely and complete information about its activities, which involves the interests of the Sole Shareholder in the order stipulated by KMG's Charter and internal documents.

Resolutions of the Sole Shareholder, made under his competences, are mandatory for KMG's Board of Directors.

## INTERACTION WITH SUBSIDIARY AND DEPENDENT ENTITIES

Interaction with subsidiary and dependent entities (SDEs) is done using approved corporate procedures through corresponding bodies of KMG and SDEs.

The main objectives of KMG's interaction with subsidiary and dependent entities are:

- ensuring sustainable financial development, profitability, improvement of investment attractiveness of KMG and its SDEs;
- ensuring the protection of rights and legally protected interests of the Sole Shareholder and the shareholders of the SDEs;
- harmonization of relations between the shareholders, officials and employees of KMG and its SDEs, taking systemic measures to prevent any conflicts between them and inside the said groups;
- development and implementation of a well coordinated and effective strategy and investment policy of KMG and its SDEs.

In November 2013, the KMG Board of Directors approved a new organizational structure of KMG according to which first executives of main subsidiaries - JSC KazTransOil, JSC KazTransGas and JSC KazMunayGas – Refining and Marketing became members of the KMG Management Board. This new organizational structure in KMG implies strengthening of the KMG Corporate Center through centralizing the management functions. Besides, this measure allowed excluding the duplicate functions between production structures of KMG and SDE.

## SDEs Corporate Governance Mechanisms

- building a vertical system of management of subsidiary and dependent entities by means of organizing corporate governance via the institution of hierarchical accountability;
- implementation of common corporate standards in SDEs;
- providing nominees to the administration bodies of SDEs;
- ensuring fair voting for the representatives on discussed issues on the basis of recommendations given to the representatives of JSC NC KazMunayGas in the boards of directors of SDEs on agenda items;
- organization of control over the activities of SDEs via representatives in management bodies and champions, revision of the financial and economic activities, selection of auditors etc.

# CORPORATE GOVERNANCE

Among the notable examples of interaction between JSC NC KazMunayGas and its subsidiaries there is successful placement of shares of JSC KazTransOil on the organized market, to which greatly contributed the company's transparency and the established corporate governance system. The result of the work done is the high rating of the potential of JSC KazTransOil by investors.

## DIVIDENDS

Subject to the Sole Shareholder's resolution No. 27/13 of 28 May 2013, an amount of 38,961,363,784 (thirty eight billion nine hundred and sixty one million three hundred and sixty three thousand seven hundred and eighty four) KZT, or 10.5% of the consolidated total profit of JSC NC KazMunayGas for 2012, has been directed for distribution of dividends to a Sole Shareholder.

The approved amount of dividend per one ordinary share of JSC NC KazMunayGas made up 75 (seventy-five) tenge 19 (nineteen) tiyns.

1st of July 2013 was determined as the date of commencement of distribution of dividends to the Sole Shareholder. Distribution of dividends was made in the monetary form through a cashless transfer to the Sole Shareholder's bank account within a month of the date of commencement of distribution of dividends.



## BOARD OF DIRECTORS OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**SAUAT  
MUKHAMETBAYEVICH  
MYNBAYEV**

Member of the Board of Directors  
JSC National Company KazMunayGas

Year of birth – 1962  
Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- Moscow M. V. Lomonosov State University (1985), Economist-Cyberneticist
- Postgraduate studies of the Moscow State University (Nov 1985 – Nov 1988) – Candidate of Economic Sciences, subject of the thesis: “Forecasting renewal of capital assets” (1988).

*WORK EXPERIENCE:*

- President of the Kazakhstan Republic-wide Construction Exchange;
- Senior Deputy Chairman of Management Board of Kazkommertsbank Joint-Stock Bank;
- Deputy Minister of Finance of the Republic of Kazakhstan, Deputy Minister of Finance of the Republic of Kazakhstan – Head of Treasurer’s Office under Ministry of Finance of the Republic of Kazakhstan;
- Senior Deputy Minister of Finance of the Republic of Kazakhstan;
- Deputy Minister of Finance (Vice Minister) of the Republic of Kazakhstan;
- Senior Vice Minister of Finance of the Republic of Kazakhstan;
- Minister of Finance of the Republic of Kazakhstan;
- Deputy Head of President’s Administration of the Republic of Kazakhstan;
- Minister of Agriculture of the Republic of Kazakhstan;
- President of the Development Bank of Kazakhstan CJSC;
- General Director of the Caspian Industrial-Financial Group LLP;
- Deputy Prime Minister of the Republic of Kazakhstan;
- Deputy Prime Minister of the Republic of Kazakhstan
- Minister of Industry and Trade of the Republic of Kazakhstan;
- Chairman of Management Board of the Samruk Kazakhstan Holding Company for Assets Management JSC;
- Minister of Energy and Mineral Resources of the Republic of Kazakhstan;
- Member of the Board of Directors, Sovereign Wealth Fund Samruk-Kazyna JSC;
- Minister of Oil and Gas of the Republic of Kazakhstan;

Currently, he is Chairman of Management Board of JSC NC KazMunayGas and Member of KMG’s Board of Directors.

Was elected as Member of the Board of Directors of JSC NC KazMunayGas for the first time on

# CORPORATE GOVERNANCE

6 Jan 2012, held the post of Chairman of KMG's Board of Directors from 2 Oct 2012 through 15 Aug 13.

*HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.



## BOARD OF DIRECTORS OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**MALIK  
ZHANABAYEVICH  
SALIMGEREYEV**

Representative of the sole shareholder –  
Sovereign Wealth Fund Samruk-Kazyna JSC

Managing Director of JSC Samruk-Kazyna

Year of birth – 1960

Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- I. M. Gubkin Moscow Institute of Petrochemical and Gas Industry (1982). Line of profession: Geology and Exploration of Oil and Gas Fields, qualification – mining engineer-geologist
- Postgraduate studies of the Institute of Geology of the Academy of Sciences of the Republic of Kazakhstan, correspondence department, Almaty (1995) - "Geology and Exploration of Oil and Gas Fields", Candidate of Geological and Mineralogical Sciences.

*WORK EXPERIENCE:*

- Operator, Oil Diagnostics Operator of the R&D Shop;
- Senior Geologist of the RPMA (Reservoir Pressure Maintenance Administration), OGPD of the Komsomolskneft Field Office of the Mangyshlakneft PA;
- Head of the Production-Planning Department, Senior Geologist of Karazhanbasstermneft Field Office;
- Vice President for Geology and Development, Senior Vice President of the Karazhanbasmunai JSC;
- Deputy General Director for Science, New Plant and Technology, KazNIPIneft;
- Director of New Projects Department of the NOC Kazakhoil CJSC;
- Vice President for Production of the Kazakhoil-Emba OJSC and the Embamunaigas OJSC;
- Deputy Director for Production of the Embamunaigas JSC of the KazMunaiGas EP JSC;
- Director of Oil Industry Development Department of the RoK MEMR;

Director for Oil and Gas Asset Management of the Samruk-Kazyna JSC.

He is member of the Board of Directors of JSC NC Kazakhstan Engineering, and member of the Supervisory Board of the United Chemical Company LLP.

Was elected as Member of the Board of Directors of JSC NC KazMunayGas for the first time on 21 June 2011.

*HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

# CORPORATE GOVERNANCE



**NURLAN  
KUSSAINOVICH  
RAKHMETOV**

Representative of the sole shareholder –  
Sovereign Wealth Fund Samruk-Kazyna JSC

Managing Director of JSC Samruk-Kazyna –  
Member of Management Board of JSC Samruk-Kazyna

Year of birth – 1965  
Nationality: Kazakhstan

## *EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- Moscow M. V. Lomonosov State University (1987), Mathematician;
- Postgraduate studies of the Moscow M. V. Lomonosov State University (1990) – Candidate of Physical and Mathematical Sciences.

## *WORK EXPERIENCE:*

- Junior Research Associate of the Institute of Mathematics and Mechanics of the Academy of Sciences of KazSSR;
- Senior Teacher of the Mathematical Analysis Chair of the Abai Almaty State University;
- Head of Planning and Finance Department;
- Chief Financial Officer of the BUTYA company;
- Deputy General Director of the Kazakhstan Temir zholy RSE;
- Director of Planning and Forecasting Department of Ministry of Public Revenue of the Republic of Kazakhstan;
- Vice Minister of Public Revenue of the Republic of Kazakhstan;
- Vice Minister of Finance of the Republic of Kazakhstan;
- Deputy General Director of the KazTransGas CJSC and Intergas Central Asia CJSC;
- Managing Director for Economy and Finance of JSC NC KazMunayGas;
- Chairman of the Tax Committee, Ministry of Finance of the Republic of Kazakhstan.

Was elected as Member of the Board of Directors of JSC NC KazMunayGas for the first time on 2 Oct 2012.

## *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

## BOARD OF DIRECTORS OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**FRANK C. W.  
KUIJLAARS**

Independent Director

Year of birth – 1958

Nationality: The Netherlands

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- University of Erasmus, Rotterdam, the Netherlands (1982), Master in Law
- Dutch Institute for Banks and Insurance Companies (1985)
- Fontainebleau University, France (1987)
- University of Cambridge (2005)
- London Business School (2008)
- Harvard Business School, (2008)

*WORK EXPERIENCE:*

- A number of posts in ABN AMRO and RBS;
- Head of Corporate and Investment Banking in Belgium;
- Regional Manager in Brazil;
- Country Manager in Russia and Brazil;
- Member of Supervisory Board in Russia, Kazakhstan and Uzbekistan;
- Corporate Executive Vice President;
- Member of Executive Committees for Europe, Central and Eastern Europe, Middle East and Africa, Corporate & Investment Banking;
- Advisor in several international organizations;
- Member of Foreign Investors' Council under President of the Republic of Kazakhstan;
- Independent Director of the Halyk Bank of Kazakhstan JSC;
- Independent Director of Amsterdam Trade Bank (the Netherlands);
- Managing Director of Eureka (Energy) Ventures B.V.

Was elected as Member of the Board of Directors of JSC NC KazMunayGas for the first time on 5 Sep 2006. On 21 June 2011 he was reelected as Independent Director of KMG's Board of Directors.

*HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

# CORPORATE GOVERNANCE



**PETER  
WILLIAM  
LANE**

Independent Director

Year of birth – 1946  
Nationality: United Kingdom.

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- Harvard Business School (1992)
- London School of Economics (University of London) (1968), Bachelor of Arts in Economics.
- University of Essex (1970), Master of Arts in Economics

*WORK EXPERIENCE:*

- Economic Advisor of the Exchequer, UK's Ministry of Finance;
- Work in leadership roles in Royal Dutch Shell;
- Chief Executive Officer for East Caribbean;
- Director, Shell UK Oil;
- Managing Director, LLOYD's of London;
- Director, LLOYD's in Japan;
- Director, LLOYD's in the USA;
- Chairman of Management Board, Strathearn Capital Limited.

Was elected as Member of the Board of Directors of JSC NC KazMunayGas for the first time on 13 June 2008. On 21 June 2011 he was reelected as Independent Director of KMG's Board of Directors.

*HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

*Members of KMG's Board of Directors are elected by a resolution of the Management Board of the Samruk-Kazyna JSC (KMG's Sole Shareholder).*

## CHANGES TO THE MEMBERSHIP OF BOARD OF DIRECTORS DURING 2013

*15 August 2013*

- Powers of S. M. Mynbayev as Chairman of the Board of Directors were terminated, with the powers of a Member of KMG's Board of Directors retained.

*3 October 2013*

- The powers of Member of the Board of Directors L. K. Kiinov were terminated.

## REQUIREMENTS DETERMINED FOR INDEPENDENT DIRECTORS

1. PRIMARY criteria (stipulated in article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies"):

- is not an affiliate of KMG and has not been for three years preceding its election to the Board of Directors (except where it occupies the position of an Independent Director of this joint-stock company), and is not an affiliate in respect of KMG's affiliates;
- is not bound by subordination to the officials of this joint-stock company or entities affiliated to KMG, and has not been bound by subordination to these entities for the three years preceding its election to the board of directors;
- is not a government employee;
- is not a representative of the shareholder at meetings of the bodies of this joint-stock company, and has not been the same during the three years preceding its election to the board of directors;
- does not participate in the audit of this joint-stock company as an auditor employed in an auditing firm, and has not participated in such an audit during the three years preceding its election to the board of directors.

2. ANCILLARY criteria (stipulated in the Rules of Selecting Independent Directors of the Samruk-Kazyna JSC):

- has publicly announced its status of an Independent Director prior to election to the Board of Directors;
- has expertise in certain areas related to the functional duties of an Independent Director, membership in the committees of the Board of Directors, strong communication skills, relies in the work on the principles of transparency, objectivity, constructive thinking and professionalism;
- has general information about the key issues specific to an entity similar in size and nature of operations to KMG, and, among other things, demonstrates understanding of:
  - a. regulatory obligations;
  - b. competitive environment on the domestic and international markets;
  - c. peculiarities in the sphere of corporate finance, internal control, strategy and/or the matters of appointment and/or remuneration to provide an expert opinion when being a member in the relevant committee of KMG's Board of Directors;
- is capable of analyzing comprehensively and objectively evaluating the provided information, and work out an independent position on a matter relying on the principles of rule of law, justice and equitable treatment of all shareholders;
- has impeccable reputation/positive achievement in the business and/or industry environment, maintains high ethical standards;

# CORPORATE GOVERNANCE

- has plenty of time to participate in the work of the Board of Directors not only during meetings of the Board of Directors, but additionally – for appropriate study of materials for meetings of the Board of Directors;
- is not a member of boards of directors in more than four companies.

## REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors, other than Independent Directors, receive no remuneration. Members of the Board of Directors, who are Independent Directors, receive a fixed annual remuneration in the amount of 100,000 US dollars, and remuneration for participation in meetings of the Committees of the Board of Directors as a member of a Committee in the amount of one thousand (1,000) US dollars and two thousand (2,000) US dollars – as Chairman.

## BUSINESS REPORT OF THE BOARD OF DIRECTORS OF JSC NC KAZMUNAYGAS

In 2013 seventeen meetings of the Board of Directors were held, of which ten meetings were held by personal attendance (including by means of a conference call) and two were held through absentee voting.

154 matters were submitted for consideration of the Board of Directors, of which 40 matters were for information on the current situation with the matters of vocational health and safety and environmental protection, KMG financial standing, execution of resolutions of KMG's Board of Directors, implementation of major projects etc.

Of 154 resolutions passed by the Board of Directors in 2013:

20 resolutions touched upon appointment of staff and the structure of KMG's central office;

8 resolutions – on the matters of making interested-party transactions;

40 resolutions – on important matters of corporate governance and the aspects regulating KMG's internal activities, such as:

- On submission for consideration by the Sole Shareholder of JSC NC KazMunayGas of the matter "On Amending the Regulations on the Board of Directors of JSC NC KazMunayGas Approved by the Resolution of the Sole Shareholder of JSC NC KazMunayGas of 5 August 2011 (order No. 69-n)".
- On amending the Regulations on the Management Board of JSC NC KazMunayGas.
- On approval of Performance Indicators of JSC NC KazMunayGas in the area of corporate social responsibility and sustainable development for 2012–2013.
- On approval of the Corporate Accounting Policy of the JSC NC KazMunayGas group of companies and the Accounting Policy of JSC NC KazMunayGas.
- On approval of the Policy on Development of Competencies of the Members of the Board of Directors of JSC NC KazMunayGas and engagement of external experts by the Members of the Board of Directors of JSC NC KazMunayGas.
- On approval of the Key Parameters of the Treasury Portfolio of JSC NC KazMunayGas and amending the List of Documents Governing Internal Operations of JSC NC KazMunayGas.
- On approval of the Policy on Settlement of Conflict of Interest between Employees and Officials of JSC NC KazMunayGas and complementing the List of Documents Governing Internal Operations

of JSC NC KazMunayGas thereby.

- On approval of the Action Plan to Improve Corporate Governance System in JSC NC KazMunayGas for 2013–2014.
- On approval of the Rules of Arranging Finance for Purchase of Housing by the Employee of JSC NC KazMunayGas.

### INFORMATION ON PARTICIPATION OF MEMBERS OF KMG'S BOARD OF DIRECTORS IN MEETINGS OF KMG'S BOARD OF DIRECTORS IN 2013

Name of Member of KMG's Board of Directors	Number and date of meeting																
	№1 (19.02)	№2 (21.02)	№3 (28.02)	№4 (13.03)	№5 (30.03)	№6 (15.04)	№7 (23.04)	№8 (23.05)	№9 (20.06)	№10 (01.07)	№11 (03.07)	№12 (02.08)	№13 (25.09)	№14 (25.10)	№15 (06.11)	№16 (20.11)	№17 (12.12)
S. M. Mynbayev	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
M. Zh. Salimgereyev	+	+	+	+	+	+	+	-	+	+	+	+	+	+	+	+	+
F. Kuijlaars	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
P. Lane	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
N. K. Rakhmetov	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
L. K. Kiinov	+	-	+	+	+	+	+	+	+	+	+	+	-	Due to transfer to another appointment, removed from the BoD			



# CORPORATE GOVERNANCE

## COMMITTEES OF THE BOARD OF DIRECTORS

### APPOINTMENT AND REMUNERATION COMMITTEE

Chairman:

P. Lane (KMG's Independent Director),

Members:

F. Kuijlaars (KMG's Independent Director)

M. Zh. Salimgereyev (Managing Director of the Samruk-Kazyna JSC)

The committee acts for the purposes of assisting the Board of Directors through development and provision of recommendations on the matters of:

- the Board of Directors and Management Board succession planning;
- ensuring continuous and objective assessment of the activities of the Board of Directors and the Management Board, Corporate Secretary and other employees according to the list determined by a resolution of the Board of Directors;
- ensuring an efficient staff policy, compensation and remuneration system, and social support, vocational development and training of officers and employees.

### COMMITTEE ON STRATEGY AND INNOVATION

Chairman:

P. Lane (KMG's Independent Director),

Members:

F. Kuijlaars (KMG's Independent Director)

M. Zh. Salimgereyev (Managing Director of the Samruk-Kazyna JSC)

The committee acts for the purposes of assisting the Board of Directors through development and provision of recommendations on the matters of:

- the development strategy and investment policy, including top-priority areas of development;
- increasing the investment appeal, including by means of improving corporate governance;
- appropriate planning of the financial and economic activities;
- introduction of innovations.

### FINANCE COMMITTEE

Chairman:

F. Kuijlaars (KMG's Independent Director)

Members:

P. Lane (KMG's Independent Director),

N. K. Rakhmetov (Managing Director of the Samruk-Kazyna JSC)

Produces recommendations for the Board of Directors for pursuing an efficient financial policy of KMG, performs assessment of KMG's financial standing, and monitoring of the financial strategy.

## Statement of Responsibility

In accordance with the provisions of sub-clause 1.3 of article 62 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", Members of the Board of Directors, as KMG's officers, are obliged to ensure integrity of the accounting and financial reporting systems, including performance of independent audit. In this respect, according to the provisions of clause 5, article 63 of the Law of the Republic of Kazakhstan "On Joint-Stock Companies", in the event that the company's financial reporting misrepresents the company's financial standing, the officers who signed this financial reporting of the company shall be liable to third parties who suffered material loss as a result thereof.

## AUDIT COMMITTEE

Chairman:

F. Kuijlaars (KMG's Independent Director).

Members:

P. Lane (KMG's Independent Director),

S. N. Mynsharipova (Director of the Audit and Control Department of the Samruk-Kazyna JSC)

Considers the issues related to the internal and external audit, the issues of financial accountability and risk management. The Audit Committee provides the Board of Directors with recommendations with respect to making decisions on these matters. The Audit Committee holds regular meetings in-*praesentia*, including by means of conference calls.

## Appointment and Remuneration Committee in 2013 held 10 meetings.

During 2013, the Appointment and Remuneration Committee produced recommendations on the matters of:

- approval of the Rules of Purchasing Housing by the Employees of JSC NC KazMunayGas;
- On determining the number of members, early termination of powers of Members of the Board of Directors and election of new Members of the Boards of Directors in subsidiary and dependent entities;
- approving key performance indicators of Members of KMG's Management Board for 2013;
- engagement of foreign specialists in JSC NC KazMunayGas;
- approval of the structure of the central office of JSC NC KazMunayGas;
- approval of the Policy on Development of Competencies of the Members of the Board of Directors of JSC NC KazMunayGas and engagement of external experts by the Members of the Board of Directors of JSC NC KazMunayGas;
- the Management Board of JSC NC KazMunayGas;
- extending the term of powers of Ombudsman of JSC NC KazMunayGas;
- remuneration of labour of the executive employees, employees of the internal audit service and Corporate Secretary of JSC NC KazMunayGas.

All recommendations of the Committee were accepted by the Board of Directors.

# CORPORATE GOVERNANCE

In 2013, the Committee did not produce recommendations on the matters of electing members and Chairman of KMG's Board of Directors. Election and appointment of members and Chairman of KMG's Board of Directors were carried out by KMG's Sole Shareholder - Samruk-Kazyna JSC, without involving the Appointment and Remuneration Committee of the Board of Directors, in accordance with the right stipulated by provisions of clause 5 of article 35, sub-clauses 36.1.5 and 54.2.2 of the Law of the Republic of Kazakhstan "On Joint Stock Companies" and provisions of clause 75 of KMG's Charter.

## Information on Participation in Meetings of KMG's Appointment and Remuneration Committee

Name of Member of KMG's Board of Directors	№1 (18.02)	№2 (22.04)	№3 (22.05)	№4 (19.06)	№5 (03.07)	№6 (17.07)	№7 (29.07)	№8 (24.09)	№9 (19.11)	№10 (10.12)
P. Lane	+	+	+	+	+	+	+	+	+	+
F. Kuijlaars	+	+	+	+	+	+	+	+	+	+
U.Ye. Shukeyev	removed from KMG's Board of Directors by resolution of Management Board of the Samruk-Kazyna JSC No.39/12 of 02 Oct 12									
M. Zh. Salimgereyev							+	+	+	+
							(made a Member)			

**Committee on Strategy and Innovation held 7 meetings in 2013**, at which recommendations on the following matters were produced:

- restructuring of the core and non-core assets of the KMG group of companies;
- implementing KMG's main oil-producing projects: "Kashagan", "Karachaganak" and "N" Block.
- approval of KMG's strategically important corporate documents (KMG's Development Plan for 2014–2018, Corporate Accounting Policy of the KMG group of companies, KMG's Accounting Policy)
- getting, transferring (assigning) a subsoil use right, amending subsoil use contracts;
- making KMG's interested-party transactions;
- approval of Charters of KMG's subsidiaries.

Besides, the Committee heard the reports on implementing KMG's Development Strategy for 2012–2022, on the results of exploration works in the KMG group of companies, on the results of KMG's corporate governance diagnostics, on implementing KMG's Development Plan for 2011–2015 during 2012.

## Information on Participation in Meetings of KMG's Committee on Strategy and Innovation

Name of Member of KMG's Board of Directors	Number and date of meeting						
	№1 (19.02)	№2 (22.04)	№3 (21.05)	№4 (18.06)	№5 (23.09)	№6 (18.11)	№7 (10.12)
P. Lane	+	+	+	+	+	+	+
F. Kuijlaars	+	+	+	+	+	+	+
U.Ye. Shukeyev	removed from KMG's Board of Directors by resolution of Management Board of the Samruk-Kazyna JSC No.39/12 of 02 Oct 12						
S. M. Mynbayev					Elected to the Committee by the resolution of the Board of Directors of 20 June 2013 (minutes No.9/2013), appointed Chairman of KMG's Management Board on 3 July 2013, and, subject to the requirements of clause 4.1 of the Regulations on the Committee, did not take part in the Committee's meetings		
M. Zh. Salimgereyev							+ Elected to the Committee by the resolution of the Board of Directors of 20 Nov 2013 (minutes No.16/2013)

**Finance Committee held 7 meetings in 2013**, where 22 matters were considered, on which the Board of Directors was given recommendations.

At the Committee's meetings, recommendations to KMG's Board of Directors were considered and produced on some matters, including the following:

- financial soundness of JSC NC KazMunayGas;
- on increasing obligations guaranteed by KMG, without a security or interest, in order to implement the strategic investment project 'Beineu-Bozoi-Shymkent Gas Pipeline Construction'.
- on approval of the Debt Management Policy of KMG and its SDEs for 2013–2015 and revoking

# CORPORATE GOVERNANCE

the Borrowing Policy of KMG and its SDEs for 2011–2015, approved by the resolution of KMG's BoD of 31 May 2011.

- on the status of the process of purchasing and selling interests of KMG Kashagan B.V. within the framework of the North Caspian Production Sharing Agreement.
- on raising by KMG of debt equity through expanding the Medium-term Global Note Programme and making transactions of issue and placement of Eurobonds, on determining the terms of their issue and placement.

Recommendations of the Committee were presented at meetings of the Board of Directors, and were taken into account by KMG's Board of Directors in passing its resolutions.

KMG's officials and employees were invited to participate in the work of the Committee on a regular basis, without the right to vote.

## Information on Participation in Meetings of KMG's Finance Committee

Name of Member of KMG's Board of Directors	Number and date of meeting						
	№1 (20.02)	№2 (22.04)	№3 (22.05)	№4 (18.06)	№5 (23.09)	№6 (18.11)	№7 (11.12)
F. Kuijlaars	+	+	+	+	+	+	+
P. Lane	+	+	+	+	+	+	+
N. K. Rakhmetov	+	+	+	+	+	+	+
Ye.B. Mukai	Did not take part in the meetings of the Committee, due to the transfer to another appointment						

## Audit Committee held 10 meetings in 2013. Members of the Audit Committee were present at all meetings.

The following matters of external audit and financial reporting were considered by the Committee during 2013:

- discussion of the results of audit of the consolidated financial reporting of KMG and its subsidiaries over 2012;
- KMG's Action Plan to eliminate the deficiencies discovered by the external auditor during the audit of KMG's consolidated financial reporting for 2012;
- results of the review of the interim financial reporting over 6 months of 2013;
- results of the review of the interim financial reporting over 9 months of 2013;
- plan of audit of KMG's financial reporting for 2014;
- considering requests of external auditor Ernst and Young on provision of non-audit services.

The following matters of internal audit were considered by the Committee during 2013:

- quarterly activity reports of the Internal Audit Service, including consideration of material dis-

coveries based on the results of the performed audits, and monitoring implementation of recommendations of external auditors;

- approving key performance indicators of the IAS and its head for 2013;
- on extending the term of powers of the IAS Head;
- approving a new scale of rating the IAS' reports in compliance with the international internal auditing standards and the best world practice;
- ways of engaging specialists in the area of production and information technology in the checks carried out by the IAS;
- discussing the results of the IT audit;
- amendment to the Annual Audit Plan for 2013;
- approval of the annual audit plan of the Internal Audit Service and the List of Additional Audits of IAS for 2014;
- considering information on monitoring implementation of the recommendations issued by the IAS during 2012;
- quarterly premiums to the Service employees based on the results of work;
- appointment of new employees and early termination of the powers of the Service employees;
- other issues of the Internal Audit Service's activity;

In 2013, the Audit Committee considered a total of 49 matters. KMG's Board of Directors accepted all recommendations and proposals of the Audit Committee.

### Information on Participation in Meetings of KMG's Audit Committee

Name of Member of KMG's Board of Directors	Number and date of meeting									
	№1 (20.02)	№2 (14.03)	№3 (21.04)	№4 (22.04)	№5 (22.05)	№6 (19.06)	№7 (23.09)	№8 (25.09)	№9 (19.11)	№10 (09.12)
P. Lane	+	+	+	+	+	+	+	+	+	+
F. Kuijlaars	+	+	+	+	+	+	+	+	+	+
S. N. Mynsharipova	+	-	+	+	-	-	-	-	-	-

# CORPORATE GOVERNANCE



**SAUAT  
MUKHAMETBAYEVICH  
MYNBAYEV**

Chairman of Management Board  
JSC NC KazMunayGas

*SUPERVISED MATTERS OF ACTIVITY:*

Performs general management of KMG's activity in accordance with KMG's Charter and bears responsibility for KMG's work to KMG's Board of Directors and Sole Shareholder.

Heads KMG's Management Board, Committee for Major Oil and Gas Projects, Integrated Management System Board, Science and Engineering Council, and the Investment Committee.

Represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, KMG's Board of Directors, Boards of Directors/Supervisory Boards and other bodies of the subsidiary and dependent entities (SDEs) and jointly controlled entities (JCEs), and in international and other organizations.

Determines priority areas and target results of work of Senior Deputy Chairman of Management Board, Deputy Chairmen of Management Board, Managing Directors for Investment and Risk Management, Foreign Oil Refining and Marketing, service of Chairman of Management Board, and Corporate Security Department.

Determines priority areas and targets in the sphere of vocational security and safety, industrial and fire safety, environmental protection, civil defense and emergency situations (VS & EP), the results of their execution and achievement.

*HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

*MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

Has never been a member of the board of directors in other entities.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**DANIYAR  
AMIRBAYEVICH  
BERLIBAYEV**

Deputy Chairman of Management Board  
for Corporate Centre

Year of birth - 1968  
Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

Al-Farabi Kazakh State University (1985–1992)

Line of profession: Legal Science, qualification - Lawyer

*WORK EXPERIENCE:*

Worked as General Director of the Intergas Central Asia, JSC from 2005 to 2007, combining the duties Senior Deputy General Director of the JSC KazTransGas. From 2007 to 2009 he held the post of Managing Director for Gas Projects of JSC NC KazMunayGas. From 2009 to 2011, he was General Director of the KazMunayGas-RM JSC, and later – General Director of JSC KazTransGas. He has held the post of Managing Director for Gas Projects of JSC NC KazMunayGas.

*SUPERVISED MATTERS OF ACTIVITY::*

Heads committees, advisory-and-consultative bodies in accordance with procedure established in KMG's internal documents.

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- monitoring of execution of the acts and instructions of President of the Republic of Kazakhstan, Government of the Republic of Kazakhstan, Chairman of Management Board of the Samruk-Kazyna JSC, and implementation of the strategic and programme documents;
- ensuring preparation of summarized information on the activity of KMG and SDEs, to be submitted to the Administration of President of the Republic of Kazakhstan, Parliament of the Republic of Kazakhstan, Government of the Republic of Kazakhstan, other governmental agencies, the Sole Shareholder and KMG's management;
- organizational and document support to the activity of KMG's Management Board. Control over implementation of the Work Plan of KMG's Management Board;
- ensuring integrity of KMG's Integrated Management System in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 international standards, improvement and harmonization of the processes within the IMS. Monitoring of the management systems of the SDEs;
- protection of information constituting state secrets, ensuring implementation of information security procedures;
- execution of the plans for KMG's special training, carrying out works for the most rational use of the production capacity and material resources of KMG and its SDEs having special orders for

# CORPORATE GOVERNANCE

ensuring special training;

- management of assets, finance, budget planning, statutory and fiscal accounting;
- administrative support to KMG's operations;
- approval of acts on writing-off of fixed assets, reserves and intangible assets;
- control over the purchase process arrangement activity;
- management of KMG's document support and document workflow process;
- management of strategic planning processes, including: development and control over implementation of the development strategy of KMG and its SDEs, methodological supervision and operation of the Balanced Scorecard system in the KMG group of companies;
- ensuring achievement of the target values of key performance indicators related to the terms of reference of the Corporate Centre, in order to implement KMG's development strategy;
- coordination of the informational and analytical efforts in KMG, including shaping of the analytic environment and making strategic, analytical and sociological surveys;
- coordination of KMG's interface with the expert-and-analyst community and information-and-analytical, consulting agencies and organizations;
- coordination of development and implementation of the common IT strategy of KMG and its SDEs;
- ensuring implementation of the common information and image policy of KMG and its SDEs, including coordination of development and implementation of KMG's PR strategy and media plan;
- control over and monitoring of KMG's and SDEs' activity on the matters of staff and social policy;
- control over and monitoring of KMG's and SDEs' activity on the matters of occupational health, environmental protection and industrial safety;

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors / Supervisory Boards and other bodies of the SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of Managing Directors for Legal Support, Economy and Finance, Human Resources and Labour Remuneration, Information Technology, Business Support, Secretariat of the Management Board, Strategy and Information-Summarizing Department and the Press Office.

## *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

## *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Chairman of the Board of Directors of the KazMunaiGas Exploration Production JSC;
- Chairman of the Board of Directors, The Rompetrol Group N.V.;
- Member of the Board of Directors of JSC KazTransGas;
- Member of the Board of Supervisory Directors, KazRosGas LLP;
- Chairman of the Board of Supervisory Directors, AstanaGas KMG LLP;
- Members of the Partnership Committee, Kylysh Commercial Partnership;

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**KAIRGELDY  
MAKSUTOVICH  
KABYLDIN**

Deputy Chairman of Management Board for Oil Transportation

Year of birth – 1953

Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

V. I. Lenin Kazakh Polytechnic

Line of profession – Computing Machines, qualification - Electrical Engineer.

*WORK EXPERIENCE:*

Started out on a career as maintenance engineer in the Ministry of Oil Industry of the USSR. Held major posts in the Ministry of Oil and Gas Industry of the Republic of Kazakhstan, CJSC NOTC KazTransOil, CJSC NC Oil & Gas Transportation. From 2002, he worked as Managing Director for Transportation Infrastructure and Support-sector Projects, and later, Vice President of JSC NC KazMunayGas. In 2007 he was appointed Vice Chairman of the Management Board of the Samruk Kazakhstan Holding Company for Assets Management JSC. From 2008 to October, 2011 he was Chairman of Management Board of JSC NC KazMunayGas. Since October, 2011 - General Director (Chairman of Management Board) of JSC KazTransOil.

*SUPERVISED MATTERS OF ACTIVITY:*

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the supervised business area, in order to implement KMG's development strategy;
- ensuring common policy and coordinating development of oil-transportation systems through efficient management of assets, creation of necessary capacity, integration of transportation systems and diversification of export directions;
- ensuring development of the national marine fleet on the Caspian Sea and in open seas in order to improve the quality and reliability of marine oil transportation;
- arranging measures for ensuring safe and uninterrupted oil transportation through construction of new and modernization of the existing oil and gas pipelines, and measures for ensuring safe operation of oil-transportation systems;
- in accordance with the established procedure, ensuring efficient management of the shares of the Republic of Kazakhstan in oil-transportation projects;
- ensuring efficient management of projects for development of the existing and creation of new oil-transportation capacity;
- coordinating the matters of international cooperation in oil transportation within the framework of intergovernmental commissions with countries of far and near abroad, and within the frame-

# CORPORATE GOVERNANCE

work of participation in international projects and international organizations in the sphere of oil transportation.

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Oil Transportation Directorate.

Ensuring achievement of the set key performance indicators for the planned period of time in the supervised area in accordance with the VS & EP Strategy and Policy.

#### *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

#### *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Member of the Board of Directors of JSC KazTransOil

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**SERIK  
SULTANGALIULY  
SULTANGALI**

Deputy Chairman of Management Board for Transportation Infrastructure

Year of birth – 1953

Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

V.I. Lenin Kazakh Polytechnic

In 1977 he graduated from the Kazakh Polytechnic.

Line of profession - Computing Machines, qualification - Electrical Engineer.

*WORK EXPERIENCE:*

Started out on a career in 1977 as an architect in the Kazgorstroiproiect SGE.

In 1991–1994 worked in leadership roles in the Department of Housing of Alma-Ata and in the Altyn-Alma JSC

In 1994–1995 – Senior Deputy Mayor of Almaty;

In 1995–2004 – CEO of Aisel Kazakhstan, one of the largest construction companies;

In 2004–2005 – Deputy General Director, JSC KazTransGas;

In 2005–2007 – General Director, JSC KazTransGas;

In 2007–2009 – Chairman of Management Board, Zhetisu SEC;

In 2010–2011 – General Director, JSC KazTransGas;

From 2011 – Chairman of the Board of Directors, JSC KazTransGas.

*SUPERVISED MATTERS OF ACTIVITY:*

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the supervised business area, in order to implement KMG's development strategy;
- ensuring common policy and coordinating development of gas-transportation systems through efficient management of assets, creation of necessary capacity, integration of transportation systems and diversification of hydrocarbon export routes directions;
- arranging measures for ensuring safe and uninterrupted gas transportation through construction of new and modernization of the existing gas pipelines, and measures for ensuring safe operation of gas-transportation systems;
- in accordance with the established procedure, ensuring efficient management of the shares of the Republic of Kazakhstan in gas-transportation projects;
- ensuring efficient management of projects for development of the existing and creation of new gas-transportation capacity;
- coordinating the matters of international cooperation in gas transportation within the frame-

# CORPORATE GOVERNANCE

work of intergovernmental commissions with countries of far and near abroad, and within the framework of participation in international projects and international organizations in the sphere of gas transportation;

- implementing measures aimed geared towards supplying the domestic market with natural gas, maintaining dominant position on Kazakhstan's gas transportation market, stimulating commercialization of gas produced by other subsoil users of Kazakhstan.

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Gas Transportation and Marketing Directorate.

Ensuring achievement of the set key performance indicators for the planned period of time in the supervised area in accordance with the VS & EP Strategy and Policy.

#### *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

#### *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Member of the Board of Directors, JSC KazTransGas;
- Chairman of the Board of Directors, JSC Intergas Central Asia;
- Chairman of the Board of Directors, JSC KazTransGas Aimak;
- Chairman of the Board of Directors, JSC KazTransGas Almaty.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**DANIYAR  
SUYINSHLIKOVICH  
TIYESSOV**

Deputy Chairman of Management Board  
for Oil Refining and Marketing

Year of birth – 1970  
Nationality: Kazakhstan

**EDUCATION, LINE OF PROFESSION (QUALIFICATION):**

Eastern Kazakhstan State University (1997–2000)

Line of profession: Legal Science, qualification – Lawyer

Atyrau Institute of Oil and Gas (2000–2005)

Line of profession: Oil, Gas and Coal Technology; qualification: Process Engineer

**WORK EXPERIENCE:**

He has worked as Deputy General Director for Operations in JSC TH KazMunayGas, has held various posts in LLP Atyrau Refinery, CJSC NC KazMunayGas and NOC KazakhOil.

**SUPERVISED MATTERS OF ACTIVITY:**

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the supervised business area, in order to implement KMG's development strategy;
- working out the position of KMG and the supervised SDEs and JCEs on the strategy and development of the oil and gas refining industry of the Republic of Kazakhstan, including increasing the conversion ratio of oil and gas, enhancement of the products quality, improvement of the production operations, ensuring financial return on oil and gas refining, petrochemistry, crude and oil products marketing projects, increasing the level of technological development;
- coordinating of works for development of the common technical policy in the sphere of oil and gas refining and petrochemistry of the supervised SDEs, coordinating works for carrying out technical and environmental expert review of projects for development of refineries;
- development of Kazakhstan's oil and gas refining industry in the medium and long-term, control over execution of measures for ensuring delivery of oil for refining and for increasing return of oil and gas refining;
- coordinating the matters of international cooperation in petrochemistry, and oil and gas refining within the framework of intergovernmental commissions with countries of far and near abroad, and as part of participation in international projects and international organizations;
- efficient management of the supervised SDEs and JCEs, aimed to produce high quality and environmentally sound oil products, increasing the yield of light oil products, reducing production costs, and their financial and economic activities;
- ensuring execution of instructions of the Government of the Republic of Kazakhstan and the

# CORPORATE GOVERNANCE

Ministry of Oil and Gas of the Republic of Kazakhstan on shipping diesel for the needs of agricultural producers, fuel oil for the heating season, jet fuel, petrol, oil, lubricants and other products of oil refining by the supervised SDEs.

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Oil Refining and Marketing Directorate. Ensuring achievement of the set key performance indicators for the planned period of time in the supervised area in accordance with the VS & EP Strategy and Policy.

## *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

## *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Member of the Board of Directors, JSC KazMunayGas – Refining & Marketing;
- Chairman of the Management Board, JSC KazMunayGas – Refining & Marketing;
- Chairman of the Board of Directors, Kazakhstan Petrochemical Industries JSC;
- Chairman of the Board of Supervisory Directors, Atyrau Refinery LLP;
- KMG's Representative in the Partnership Committee, Kylysh Commercial Partnership.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**NURTAS  
NURIBEKOVICH  
SHMANOV**

Deputy Chairman of Management Board  
for Support-Sector Projects

Year of birth – 1956  
Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- Ufa Petroleum Institute (1974–1979). Line of profession: designing and operating oil and gas pipelines, gas holders and oil depots, qualification – Mechanical Engineer
- Eurasian Market Institute (1996–1998). Line of profession: Finance and Credit, qualification – Economist

*WORK EXPERIENCE:*

He has worked as General Director of JSC KazTransOil, Deputy General Director-at-Large of CPC-R, Regional Manager for Transportation in ChevronNefteGaz in Moscow and Almaty. Has held various posts in ChevronMunaiGaz and Atyrau Oil Pipeline Administration.

*SUPERVISED MATTERS OF ACTIVITY:*

Heads the Coordinating Board for Development of the Kazakh Content.

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the supervised business area, in order to implement KMG's development strategy;
- development and implementation of KMG's Innovation-based-and-technological Development Strategy, coordinating development of KMG's innovation-and-technological capacity;
- management of the service asset portfolio, assistance to development of oil support-sector production capacity, ensuring competitive capacity of the support sector area for satisfying the existing and forecast requirements of the oil-and-gas sect and KMG through development of the existing and creation of a new support sector infrastructure;
- analysis of the long-term requirement of the oil-and-gas industry for goods, works and services, monitoring of the existing and prospective capability of the domestic producers in order to place order on them;
- coordinating the matters of international cooperation in development of support sector area within the framework of intergovernmental commissions with countries of far and near abroad, and as part of participation in international projects;
- assisting to development of the national oil-and-gas machine-building, increasing the technical level and competitive capacity of its products;
- assistance in the matters of setting up joint ventures for creation of new facilities for production of

# CORPORATE GOVERNANCE

oil and gas equipment and support sector services on the territory of the Republic of Kazakhstan. In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Support-Sector Projects Department. Ensuring achievement of the set key performance indicators for the planned period of time in the supervised area in accordance with the VS & EP Strategy and Policy.

## *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

## *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Chairman of the Steering Committee, Kazakhstan Pipeline Ventures LLC;
- Member of the Board of Directors, Caspian Pipeline Consortium-Russia CJSC;
- Chairman of the Board of Directors, JSC KazTransOil;
- Member of the Board of Supervisory Directors, AstanaGas KMG LLP;
- Chairman of the Board of Directors, JSC KazTransGas;
- Chairman of the Board of Supervisory Directors, LLP NMSC KazMorTransFlot.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**TIMUR  
MUSTAKHIYEVICH  
BIMAGAMBETOV**

Managing Director for Operating Producing Assets

Year of birth – 1954

Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

V. Lenin Kazakh Polytechnic (1973–1978)

Line of profession: Oil and Gas Geology, qualification – Mining Engineer

*Work Experience:*

Started out on a career in 1978, working as operator and further, assistant foreman, process engineer, and later - shop foreman in the Zhetibayneft Field Office. Later, in December, 1981, having joined the Kalamkasmunaigaz Field Office, he went through all stages of professional growth: ranging from an operator to the chief engineer – senior deputy of the director of the enterprise. From July 2000 to March 2002 worked as a Director of a department in the NOC Kazakhoil CJSC and the Oil & Gas Transportation CJSC. Having later worked as the Director of the Offshore and Coastal Infrastructure Development Department in JSC NC KazMunayGas, he joined JSOOC KazMunayTeniz in the position of Deputy General Director for Production. From 2004 worked as Executive Director in JSC NC KazMunayGas, subsequently - in JSOOC KazMunayTeniz. During 2007–2008 he was General Director of the Kurmangazy Petroleum LLP. After a year of employment as Executive Director of JSC NC KazMunayGas, in 2009 he became General Director of the N Operating Company LLP. Since February 2012 to the present day, he has been Deputy Chairman of Management Board for Production and Technical Development of JSC NC KazMunayGas.

*SUPERVISED MATTERS OF ACTIVITY:*

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of the key performance indicators for the supervised business area;
- coordinating works for development of oil-and-gas fields, oil and gas production, execution of the approved oil production schedules and production programs of the supervised SDEs and JCEs, forecasting the output level, development and implementation of the technical policy in well construction, oil and gas development and production;
- coordinating the matters of international cooperation in oil and gas production;
- developing new oil production plant and technology;
- introduction of new oil-and-gas equipment, plant and materials, technical modernization of the existing equipment fleet in the oil and gas producing SDEs and JCEs;
- assisting to development of the national oil-and-gas machine-building, increasing the technical

# CORPORATE GOVERNANCE

level and competitive capacity of its products.

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Producing Assets, New Production Equipment and Technology, Oil & Gas Machine-Building Technology Development Departments.

#### *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

#### *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Chairman of the Board of Directors, Offshore Oil Company KazMunayTeniz JSC;
- KMG's Representative in the General Meeting of Members, Kazakhoil Aktobe LLP;
- Chairman of the Board of Supervisory Directors, Kazakhoil Aktobe LLP and Aktaunefte servis LLP;
- Chairman of the General Meeting of Members, Kazakhturkmunai Ltd;
- Chairman of the Board of Directors, JSC Mangistaumunaigaz.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**KURMANGAZY  
ORYNGAZIYEVICH  
ISKAZYEV**

Managing Director for Geology, Chief Geologist

Year of birth – 1965

Nationality: Kazakhstan

***EDUCATION, LINE OF PROFESSION (QUALIFICATION):***

V. Lenin Kazakh Polytechnic (1982–1993)

Line of profession: Oil and Gas Geology, qualification – Mining Engineer - Geologist

Candidate of Geological and Mineralogical Sciences

***WORK EXPERIENCE:***

Started out on a career as Collector Operator of the Balykshi Exploration Drilling Directorate (BEDD) of the Embanefit PA, later worked as Well Cementing Operator of the Plug-back Operation Office. From 1991 to 1993 - employed as Geologist of drilling expedition No.1 of the Balykshi Exploration Drilling Directorate. From 1993 to 1995 - transferred to the position of Senior Geologist, and later - Lead Geologist of the CDO of the Atyrau Drilling Directorate. From 1995 to 2004, he worked as Chief Geologist - Deputy Director of the Atyrau Enhanced Oil Recovery and Well Workover Directorate, Directors of the Geology and Oil-and-Gas Field Development Department of the Embamunaygas OJSC. From 2004 to 2008 held the position of Deputy Director, and later – Director of the Geology and Development Department of the KazMunaiGas EP JSC. Has worked in JSC NC KazMunayGas from 2008, held various positions: Executive Director for Oil and Gas Production, Managing Director for Geology, Geophysics and Reservoirs, Chief Geologist. Since early 2012 to the present day has held the post of Deputy Chairman of Management Board for Geology and Prospective Projects of JSC NC KazMunayGas.

***SUPERVISED MATTERS OF ACTIVITY:***

Heads the Coordinating Board for Corporate Data Bank, Panel on the Matters of Acquisition of Alienable Subsoil Use Rights (a Part Thereof) and/or Participating Interests (Stockholding) in a Legal Entity Holding a Subsoil Use Right.

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the supervised business area, in order to implement KMG's development strategy;
- monitoring replenishment of the resource base in accordance with KMG's long-term strategy and management of the geologic-and-geophysical database, including creation of a high-quality geologic-and-geophysical database - KMG's corporate data bank (CDB) and National Oil and Gas Projects Data Bank (NDB), forming and developing the own centre for collection, processing and

# CORPORATE GOVERNANCE

interpretation of geologic-and-geophysical and field data;

- arranging measures to maintain rapid tempo and efficient conduct of exploration works, good development of reserves, introduction of reservoir simulation and management technology;
- technical assessment of the oil and gas assets purchased by/assigned to KMG, new contracts for subsoil use right in the area of HC reserves/resources appraisal, exploration plans, development systems, drilling of wells, facilities construction and capital construction;
- developing proposals concerning exercise by the state of the priority right to acquire alienable subsoil use rights (a part thereof) and/or facilities related to the subsoil use right, liaising with the Competent Authority and other governmental authorities of the Republic of Kazakhstan on the matters of subsoil use;
- obtainment by KMG of the subsoil use right on new exploration and production projects on-shore and offshore, both in the Republic of Kazakhstan and beyond, by direct negotiations with the Competent Authority, through purchase and/or acquisition in any manner whatsoever from third parties and its transfer or sale to its subsidiary and dependent entities;
- organizing and managing KMG's operating activities under exploration contracts for subsoil use;
- organization and efficient management of the KazMunayGas Research and Development Institute of Production and Drilling Technology LLP;
- provision of geologic-and-technical support to major oil and gas projects (MOGPs).

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Geology and Geophysics Department, Field Development Department, and Prospective Projects Development Department.

Provision of support to the VS & EP matters in KMG's corporate governance system in the supervised business area.

## *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

## *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Member of the GMM, Caspian Oil and Gas Company LLC;
- Member of the Partnership Council, Tengizchevroil LLP (Chairman);
- Representative of JSC National Company KazMunayGas, Chairman of the Operating Committee on the project of the Satpayev Operating LLP, Urikhtau Operating LLP, N Operating LLP;
- Member of the Steering Committee in the North-Caspian Project Production Sharing Agreement ;
- Member of the Joint Management Committee in the Karachaganak Project Final Production Sharing Agreement;
- Member of the Board of Directors, JSC Mangistaumunaigaz;
- Member of the Board of Supervisory Directors, KMG Karachaganak LLP.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**ARDAK  
MAKHMUDULY  
KASSYMBEK**

Managing Director for Economy and Finance

Year of birth – 1977

Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- Al-Farabi Kazakh State University (1994 – 1998)  
Line of profession: International Economic Relations, qualification – Economist
- Business School of City University of London, England (2000 – 2001)  
Line of profession: Banking and International Finance, qualification – Financier

*WORK EXPERIENCE:*

Started out on a career in 1998 in JSC Halyk Savings Bank of Kazakhstan as Lead Banker of the Structured Finance Department. In 2001, he joined CJSC NOC KazakhOil as Manager of the Investment Management Department. From 2003 to 2004, he worked in JSC NC KazMunayGas and held the following positions – Senior Manager of the Project Analysis Department, Senior Manager of the Corporate Finance Department. In 2004, he was seconded as a Chief Financial Officer of the Business Under-construction Directorate to the Atyrau Refinery LLP. From 2005 to 2006 held the post of Deputy Director of the Corporate Finance Department of JSC NC KazMunayGas. From 2006 to 2006, he combined the duties of Deputy General Director for Economy and Finance of JSOOC KazMunayTeniz, and Deputy Director of the Astana branch of Kashagan B.V. PLC. Over a number of year from 2008, has held various posts in JSC NC KazMunayGas, such as Executive Director for Economy and Finance, Managing Director for Corporate Development, Director for Corporate Finance and Asset Management.

*SUPERVISED MATTERS OF ACTIVITY:*

Heads the Credit Committee, Commission for Filing and Considering Claims, Suits and Applications, and Matter Relating to Restructuring Overdue Accounts Receivable, Commission for Determining and Revising Useful Life, Changing the Base Cost (Revaluation, Depreciation, Further Capital Investments) and Disposing of Fixed Assets and Intangible Assets.

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the economy and finance block, in order to implement KMG's development strategy;
- improvement of the corporate governance arrangements in KMG and its SDEs, improvement of KMG's corporate governance score;
- forming a balanced asset portfolio in the core business, analysis of the asset portfolio risks;

# CORPORATE GOVERNANCE

- financial management, ensuring efficient operation of the common management reporting system in the KMG group of companies;
- carrying out statutory and fiscal accounting, development and obtainment of approval of statutory and fiscal accounting policies;
- development of proposals concerning KMG's dividend policy and borrowing policy;
- development of proposals concerning management of cash of KMG and its SDEs, development and introduction of policies on keeping bank accounts in the entire group of companies, management of working capital and liquidity of the group of companies, and optimizing the profile of the portfolio of placed temporarily free cash in the KMG group of companies;
- development, approval and monitoring of implementation of KMG's Development Plan;
- analysis of the factors influencing the efficiency of business planning and development of proposals and recommendations to enhance the efficiency of business planning and budgeting, and improvement of business based on the analysis of budget variances;
- development and implementation of measures to improve the financial-and-economic performance of KMG and its SDEs and JCEs;
- ensuring observance of the law legislation of the Republic of Kazakhstan in the activities of KMG and the SDEs, improvement of the tax planning system as part of the process of business planning of KMG and its SDEs.

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the supervised SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Corporate Finance Department, Asset Management Department, Budget and Tax Planning Department, and the Accounting Office.

## *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

## *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

- Member of the Board of Directors, Caspian Pipeline Consortium-K JSC, Caspian Pipeline Consortium-Russia CJSC, JSC KazTransOil;
- Member of the Board of Supervisory Directors, KazRosGas LLP;
- Member of the Board of Supervisory Directors, AstanaGas KMG LLP;
- Member of the Board of Managing Directors, Coöperative KazMunaiGaz U.A., Mangistau Investments B.V.;
- Member of the Partnership Council, Tengizchevroil LLP;
- Managing Director A of the Board of Directors, KMG Kashagan B.V. LLC.

## MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

### as at 31 December 2013



**YERZHAN  
ARYSTANBEKOVICH  
ZHANGAULOV**

Chief Legal Officer

Year of birth - 1968

Nationality: Kazakhstan

*EDUCATION, LINE OF PROFESSION (QUALIFICATION):*

- Karaganda State University (1985–1992). Line of profession: Legal Science, qualification - Legal Expert
- Kazakh National University (2003 – to the present day). Line of profession: Economist

*WORK EXPERIENCE:*

He has worked in CJSC NC Oil and Gas Transportation. Has held the post of the head of the legal support service and head of the department of the legislation, defense and law order sector in the Administrative Department of the RoK President. Has worked in the RoK Prime Minister's Office, in the Ministry of Justice, and RoK's Public Prosecutor's Office.

*SUPERVISED MATTERS OF ACTIVITY:*

Organizes and bears responsibility for the results of work in the following areas of KMG's activity:

- ensuring achievement of the target values of key performance indicators related to the terms of reference of the supervised block, in order to implement KMG's development strategy;
- ensuring observance of the laws of the Republic of Kazakhstan in KMG's activity, including those related to the matters of contracts, agreements, statements of intent and memoranda on KMG's oil-and-gas, oil-and-gas-transportation and support-sector projects, in partnership with foreign partners or being implemented within foreign jurisdictions, and other documents related thereto, including subsoil use contracts and transactions related to financing of contracts (hereinafter - International Contracts);
- legal support to corporate governance of SDEs and rendering legal assistance thereto, within the limits of its terms of reference;
- carrying out legal appraisal of draft orders and other legal documents developed in KMG, draft regulatory legal acts, resolutions and other documents of legal nature, developed and submitted by KMG to governmental authorities, or presented to KMG for getting its agreement;
- legal support to the processes aimed to achieve KMG's strategic (top-priority) goals, contemplating creation of legal relations complicated by a foreign element, including international public legal relations;
- representing KMG in courts, governmental authorities, in projects (transactions) which a top-priority in accordance with KMG's strategy, in International Contracts, participating in negotiations within the framework of its terms of reference;

# CORPORATE GOVERNANCE

- analysis of the existing laws of the Republic of Kazakhstan, regulating KMG's operations, participating in legal appraisal of draft regulatory legal acts initiated by KMG and its SDEs, and those submitted to KMG by governmental authorities, the Samruk-Kazyna JSC and non-governmental organizations.

In accordance with the established procedures and within the limits of its competence, represents KMG in government authorities of the Republic of Kazakhstan, Samruk-Kazyna JSC, Boards of Directors/Supervisory Boards and other management bodies of the SDEs and JCEs, and in international and other organizations.

Determines priority areas and target results of work of the Legal Support Department and the International Contracts Department.

#### *HOLDING OF SHARES:*

Holds no KMG's shares.

Holds no shares of the company's suppliers and competitors.

#### *MEMBERSHIP IN BOARD OF DIRECTORS OF OTHER ENTITIES:*

Has never been a member of the board of directors in other entities.

## CHANGES TO THE MEMBERSHIP OF BOARD OF DIRECTORS DURING 2013

### 3 of July 2013

- Powers of L. K. Kiinov as Chairman of Management Board were terminated.
- S. M. Mynbayev appointed Chairman of Management Board.

### 2 August 2013

- Powers of D. S. Tiyyessov as Member of the Management Board were terminated.

### 27 September 2013

- D. S. Tiyyessov elected Member of the Management Board.

### 20 November 2013

- Powers of the following Members of the Management Board were terminated:  
D. A. Berlibayev, N. N. Shmanov, D. S. Tiyyessov, A. M. Kassymbek, T. M. Bimagambetov, K.O. Iskazyev, M. M. Mirzagaliyev, Ye. A. Zhangaurov, A. M. Shukputov.
- D. A. Berlibayev, K.M. Kabyldin, S. Sultangali, D. S. Tiyyessov, N. N. Shmanov, T. M. Bimagambetov, K. O. Iskazyev, A. M. Kassymbek, Ye. A. Zhangaurov elected Members of the Management Board.

Remuneration for the membership in the Management Board of JSC NC KazMunayGas is not provided for.

However, in accordance with the Rules of Remuneration of Labour of the Members of the Management Board (executive employees), employees of the internal audit service and Corporate Secretary of JSC NC KazMunayGas, approved by resolution of the Board of Directors of JSC NC KazMunayGas No.1/2012 of 13 February 2013, fiscal year-end bonus to executive employees depending on the degree of achievement by executive employees of the strategic objectives is contemplated. The performance in achievement of the strategic objectives of executive employee is evaluated against two types of key performance indicators (KPIs): corporate and individual KPIs. In compliance with clause 94 of the Charter of JSC NC KazMunayGas, Chairman of Management Board makes decision on the matters of KMG's direct activities, in particular, on purchases of services, creation of working groups and committees on KMG's projects, hospitality, staff appointments and penalties, social support to employees, corporate governance, and other matters of the production, administrative and regulatory nature.

# CORPORATE GOVERNANCE

## REPORT OF THE MANAGEMENT BOARD OF JSC NC KAZMUNAYGAS

In 2013, KMG's Management Board passed 428 Resolutions, 378 of them (88.3%) – at meetings in-praesentia. 90 minutes of the Executive Body meetings were drawn up.

KMG's Management Board carried out its activity in compliance with the Work Plan of the Management Board of JSC NC KazMunayGas for 2013, approved by the resolution of 28 Dec 2012 (minutes No.141).

Subject to the regulation on work, in-praesentia meetings of the Management Board are held on a weekly basis, on Tuesdays and Thursdays.

The said quantitative data are the evidence of the regularity of in-praesentia meetings of the Management Board, which fully conforms to the provisions of the Corporate Governance Code. Of the total number of the Management Board's resolutions passed during the reporting period, virtually every fifth one (80 matters) was submitted for consideration by KMG's Board of Directors, which is 6% higher vs 2012.

The bulk of such matters (26) was related to draft documents or amendments to the existing internal documents.

Consistent with the BoD's terms of reference, 20 resolutions were initiated on the matters of operations, falling within the exclusive terms of reference of the general meeting of shareholders (members) of a legal entity, whose ten or more percent of shares (interest in the equity capital) are owned by KMG.

In 7 cases, at the suggestion of the Management Board, BoD's resolutions were passed with regard to making amendments, approving changes, receipt and transfer of the subsoil use right under a number of Hydrocarbons Exploration and Production Contracts.

In addition, in 2013 the Management Board presented for consideration by the BoD 6 matters on making KMG's interested-party transactions and/or transactions of strategic nature.

Furthermore, 11 reports preliminarily approved by the Executive Body were submitted for endorsement by the Board of Directors. Among them: on implementation of the Development Plan, Strategy in the Area of Sustainable Development of JSC NC KazMunayGas for 2012, and on the transactions made, resolutions on which were passed by the Management Board in the 4Q 2012 and during the 9 months of 2013, and the risk management report for the same period.

Among other matters considered by the BoD at the suggestion of the Management Board, we may note such as issue and placement of Eurobonds, raising debt equity in the amount of up to 3,000,000,000 (three billion) US dollars, structure of financing KMG's activity under the North-Caspian Project Production Sharing Agreement and some other.

Subject to the Rules for making transactions between the entities of the Samruk-Kazyna JSC Group with respect to which the Law of the RK "On Joint Stock Companies" sets out special conditions (approved by the resolution of the Board of Directors of the Fund of 27 April 2009), the Management Board passed 44 resolutions on KMG's interested-party transactions.

As part of the authority to adopt resolutions on the matters referred to the exclusive competence of the general shareholders' (members') meeting the of KMG SDEs, KMG's Management Board adopted 59 resolutions of determination of KMG's position as a member, and 20 – as a shareholder in the subsidiaries for further voting of KMG's authorized representatives at General Shareholders' (Members') Meetings.

Besides, 34 resolutions of the Management Board were passed as resolutions of the Sole Shareholder of KMG's subsidiaries, including: 6 – on the matters of the Euro-Asia Air Airlines JSC, 5 apiece – JSC KazMunayGas – Refining & Marketing, KMG Kashagan B. V. LLC and N Block B. V., 4 apiece – JSOOC KazMunayTeniz and JSC NMSC Kazmortransflot, and other.

Resolution of the Sole Member of KMG's subsidiaries were carried by the Management Board in 79 cases, including: on the matters of the KMG Karachaganak LLP – 11 times, Teniz Burgylau LLP – 10, Urikhtau Operating LLP – 9, KMG-Transcaspian LLP – 8, Directorate of KMG's under Construction Enterprises LLP, Semser Security LLP and Aktaunefteservis LLP – 6 times each, and some others. In accordance with the Rules for Sponsorship (Charitable) Assistance by Joint-Stock Company "National Company KazMunayGas (approved by the resolution of the Board of Directors of 9 Mar 2004 (minutes No.7) (as amended on 19 Nov 2004, minutes No.18), over the last year KMG's Management Board adopted 25 such resolutions for the total amount of almost 7.7 bn KZT.

KMG's executive body also passed 3 resolutions on making single-source purchases in accordance with the Rules for Purchase of Goods, Works and Services by Joint Stock Company "Sovereign Wealth Fund "Samruk-Kazyna" and Entities Whose Fifty or More Percent of Voting Shares (Interest) are Directly or Indirectly Owned or Beneficially Owned by the Samruk-Kazyna JSC, approved by the Board of Directors of the Samruk-Kazyna JSC on 26 May 2012 (minutes No. 80). Auditing services for compliance audit against requirements of ISO 9001, ISO 14001 and OHSAS 18001 were purchased from the Intercertifica TUV – jointly with TUV Thuringen LLP, legal services from the Colibri Kazakhstan LLP, office premises lease services from the International Business Center LLP. 9 resolutions on approval of amendments to the manning table of JSC NC KazMunayGas were produced.

2 policies (security and non-core asset management) and one programme (security for 2013–2017), 3 regulations (on the Science and Engineering Council, on the Planning Committee, on the Integrated System Council), 21 rules, 11 amendments to certain documents, 7 plans were approved by resolutions of the Management Board during 2013. Strategic maps, methodologies for calculation of the KPIs and target values of KPIs for 2013–2015 of KMG's management, KMG's list of positions falling with the 'executive personnel' category, information security management guidelines and some other documents were adopted as well.

During the reporting period, the Management Board considered several matters on provision of guarantees by KMG, including that for ensuring fulfillment of the Atyrau Refinery LLP's obligations in favour of the Export-Import Bank of China, in favour of the North-Caspian Project contracting companies within the framework of securing the Agreement on Purchase of the Kashagan Field Gas, on acknowledgment of the guarantee of fulfillment of The Rompetrol Group N.V.'s obligations and other matters.

# CORPORATE GOVERNANCE

## INTEGRATED MANAGEMENT SYSTEM

For the purposes of integrating the Republic of Kazakhstan in the world's economy, and within the framework of preparation for accession to WTO, the "Program for Development of National Standardization and Certification Systems of the Republic of Kazakhstan for 2004–2008" was approved by resolution of the RoK's Government No.148 of 6 Feb 2004. For the implementation of this resolution, the "Work Plan for Accelerated Transition of the Kazakh Ventures to the Series 9000 and 14000 ISO International Standards" was approved by order of the RoK's Prime Minister No. 28 of 6 Feb 2004.

Further, for the purposes of clause 5.5 of order No. 71 of 29 Mar 2004 of the former RoK's MEMR and the minutes of the extended meeting of JSC NC KazMunayGas of 14 Jul 2004 (minutes No. 15), measures to introduce the said standards in the KMG group of companies were employed. As at 31 December 2013, quality management systems are in place in 14 subsidiary entities of JSC NC KazMunayGas group of companies, including the corporate centre. Of them, KMG and 8 subsidiaries (the KazMunaiGas Exploration Production JSC, JSC KazTransOil, JSC KazMunayTeniz, JSC KMG Refining & Marketing, JSC NMSC Kazmortransflot, LLP KazakhoilAktobe, JSC Kazakh Institute of Oil and Gas, LLP Teniz-Service, KazMunayGas-Service LLP) were certified against three standards (ISO 9001, ISO 14001 and OHSAS 18001), Semser-Security LLP Teniz-Service – against two of those (ISO 9001 and OHSAS 18001). 4 more entities (JSC EuroAsiaAir, JSC KazTransGas, Kazakhstan-British Technical University JSC) are operating according to the ISO 9001 standard.

In 2013, the Pavlodar Petrochemical Plant LLP introduced the energy management system to comply with the ISO 50001 standard and the social responsibility system to comply with ST RK 1352-2005/SA 8000-2001.

In JSC KazTransGas, JSC KazTransOil, JSC KazMunayGas - Refining & Marketing, the KazMunaiGas EP JSC, the plans are to introduce management systems in the area of energy-saving in 2014.

The following is at the stage of implementation: information security management system (ISO 27001) in KMG's corporate centre and the KazMorTransFlot LLP, risk management system – in JSC NC KazMunayTeniz and JSC KazTransOil, social responsibility management (SA 8000) – in the KazMorTransFlot LLP.

During 2013, all companies of the group successfully passed compliance audits, confirming that the existing integrated management systems meet the international standards.



50,78

-3,26

-82,78

51,73

8,79

-4,11

-14,35

93,82

2,00

-45,74

-92,22

43,64

11,69

56,63

-22,13

97,88

-53,30

59,05

-15,92

133,88

52,87

123,52

-92,47

104,96

0

0

0

141

225

816

1183

0

0

141

225

816

1183

0

64

367

1638

4225

6294

0

17

306

95

75

493

0

309

6

1

# SUSTAINABLE DEVELOPMENT

Since 7 February 2006, JSC NC KazMunayGas has been the member of the UN's Global Compact and has consistently supported its system of universal values.

KMG's concept in the sphere of corporate social responsibility and sustainable development is coming from the long-term vision of the Company's business areas recorded in the basic corporate documents.

The Development Strategy of JSC NC KazMunayGas for 2012–2022 determines main directions in the area of sustainable development, including development of the integrated management system in the area of quality, environmental protection, occupational health and safety, energy-saving, introduction of the sustainable development principles, ensuring security, development of human resources and introduction of the motivation system.

Objectives of the Quality Policy of JSC NC KazMunayGas are: ensuring sustainable economic development, ensuring strategic benefits for the Republic of Kazakhstan as a whole from the development of the country's oil and gas complex, achievement of the Sole Shareholder's objectives – raise the long-term value of the Company's assets and facilitate modernization and diversification of the national economy, improvement of KMG's corporate governance and asset management system. The Occupational Health and Safety and Environmental Protection Policy of JSC NC KazMunayGas determines the top-priority areas of the occupational health and safety, and environmental protection activities.

During last year, KMG's subsidiary and dependent entities, as required by the laws, carried out inventory taking of greenhouse gas emissions, developed programmes and action plans for reducing them, and received emission certificates, according to the quotas allocated.

Further, in 2013 the subsidiary and dependent entities of JSC NC KazMunayGas intensified the efforts on energy-saving and enhancing energy efficiency. Thanks to the implementation of energy-efficiency actions, JSC Embamunaygas, Pavlodar Petrochemical Plant, and PetroKazakhstan Oil Products LLP achieved considerable saving in power and heat. Within the framework of the energy-saving programme, JSC KazTransOil introduced power-factor correction units in 3 PSSs, and the facilities of three pipeline administrations were switched to costing according to tariffs differentiated depending on the time zones. Annual saving of over 100 mn KZT is expected from the introduction of this system.

As required by the RoK's Law "On Energy-Saving and Increasing Energy Efficiency" (the Law), works to carry out energy audit are being performed in KMG's SDEs. For example, JSC Mangistaumunaigaz and JSC Embamunaygas held tenders to select contractors accredited to conduct energy audit. Currently, energy inspection of the production facilities of the enterprises is underway.

In compliance with the Law, work on development and introduction of the energy management system based on the ISO 50001 international standard is being performed. For example, in the Pavlodar Petrochemical Plant LLP an enterprise energy management system certification inspection was carried out by the international company TUV Thuringen e.V. (Germany). Following its results, PPCP confirmed compliance with the requirements of the ISO 50001:2001 standard, and received an appropriate Certificate. Energy management system was also introduced in the Atyrau and Shymkent Refineries.

Constant work of KMG's subsidiary and dependent entities on energy-saving and enhancing energy efficiency, done over the last few years, pays its dividends. In this respect, energy-output ratio in the oil production and refining enterprises, which is the main integrated indicator in this area, has had a clear tendency towards reduction, beginning from 2009.

The principal objective of the Staff Policy of JSC NC KazMunayGas for 2011–2015 is to enhance the efficiency of the staff management through creation of a human resources management system, common for the Company, and aimed to maximize profit and ensure leadership in the competitive environment, based on economic stimuli and social safeguards, and promoting harmony between the interests of both employer and the employee, and development of their relations for the good of the Company.

In compliance with the Staff Policy, the following human resources management procedures and documents were standardized and formalized:

- Labour Remuneration Rules;
- Staff Competitive Selection and Adaptation Rules;
- Administrative Staff Appraisal Rules;
- Employee Training and Development Rules;
- Rules of Forming and Organizing Work with the Common Succession Pool;
- Rules of Rendering Social Support to the Employees.

As part of the said procedures, staff records management, reporting on the qualitative and quantitative staff composition, organizational structure and design, performance appraisal, employees' training date etc. were successfully automated based on SAP R/3.

In 2013 KMG's organizational structure was changed, which now provides for divisional manage-



# SUSTAINABLE DEVELOPMENT

ment of KMG's major subsidiaries. Within the framework of these efforts, Chief Executive Officers of three subsidiaries are currently Deputy Chairmen of KMG's Management Board for the corresponding areas.

The employee involvement KPI for the KMG group of companies over 2013 amounted to 64%, which is 2% higher than the threshold value.

The rate of turnover in the KMG group of companies was 9.8%.

The Code of Corporate Social Responsibility of JSC NC KazMunayGas establishes social responsibility principles in the sphere of human rights, social-and-labour relations, environmental protection, and corporate social safeguards to the employees, disabled people, retirees in the area of the labour remuneration and motivation policy, industrial safety, occupational health and safety and environment, creation of the base labour conditions, staff development and training system, housing policy, insurance, health improvement, sports and social support to retirees and disabled people, assistance to development of regions of the Company's presence.

The Stakeholders' Map of JSC NC KazMunayGas, approved by KMG's Board of Directors, in order to systematize and visualize information on KMG's environment for a adequate strategy of work with each stakeholder, the list of stakeholders and the strategy of interfacing with KMG's stakeholders have been determined.

In 2012 the Social Projects Review Rules of JSC NC KazMunayGas and its Subsidiary and Dependent Entities were approved, which apply to the social projects aimed to resolve matters in the area of social support to the Company's employees and retirees, social development of the regions, implementation within the framework of instructions of Head of the State, Government of the Republic of Kazakhstan and the Sole Shareholder on social matters, to implement projects for construction of social facilities, and Projects related to investment for support to education and science, art, culture, sports and health.

In compliance with the internal documents and bargaining agreements, the Company takes active part in rendering social support to its employees, retirees, by allocating funds stipulated in the statutory acts and regulatory requirements, performs environmental actions, renders sponsorship and charitable assistance.

The housing programme based on the Rules of Arranging Finance for Purchase of Housing by the Employee of JSC NC KazMunayGas, approved by the resolution of KMG's Board of Directors of 19 Feb 2013 (minutes No. 1/2013) has been implemented in the KMG group of companies since 2013. The matters of the Company's sponsorship and charity are governed by the Policy on Rendering Sponsorship and Charitable Assistance to the Samruk-Kazyna JSC by Entities of the Samruk-Kazyna JSC Group, approved by the resolution of the Samruk-Kazyna JSC's Board of Directors of 11 Dec 2012 (minutes No. 86).

The Company's Information Policy is carried out based on the Corporate Communications Regulation, developed as per the requirements of the RoK's Law 'On Mass Media', KMG's Charter, Regulation, Disclosure Rules.

The Company takes measures to prevent corruption and fraudulent practices in compliance with

the laws of the Republic of Kazakhstan. For the purposes of assistance to the awareness of its employees of following the internal control and business ethics policy, and the key principles and requirements to preventing corruption and fraud risks, adopted by the Company, the Policy on Settlement of Conflict of Interest between Employees and Officials of JSC NC KazMunayGas was adopted by the resolution of KMG's Board of Directors of 23 May 2013 (minutes No. 8/2013).

Implementation of the Company's procedures for purchase of goods, works and services is based on publicity, transparency and fair competition between potential suppliers.

Ethical principles and norms of the Company's internal documents are aimed for proper and fair conduct of activity by the Company's employees.

The Council for Development of Social Partnership and Settlement of Employment Disputes and Conflicts of JSC NC KazMunayGas was created in 2013, incorporating KMG's executives, chairmen of joint regional trade-union committees, and representatives of the SDEs' workforce.

The Company's available resources for formal resolution of conflict situations are supplemented by the availability and activity of the Corporate Ombudsman appointed by KMG's Board of Directors. To settle corporate conflicts (i.e. disagreements and disputes between the participants of the corporate governance process), the Rules of Settlement of Corporate Conflicts of JSC NC KazMunayGas were approved by the Company's Board of Directors.

A survey conducted by the Social Partnership Centre of the Samruk-Kazyna JSC in 2013 identified the social stability score of 61% in the KMG group of companies, which represents the average level; the levels of social feeling of the employees, social development of the enterprises, the staff involvement and labour remuneration indexes were analyzed.

KMG has been compiling reporting on its activity in the area of corporate social responsibility on an annual basis since 2008. In 2012, KMG published for the first time the Sustainable Development Report, prepared based on the international standards (GRI), where the most essential aspects of operations from the sustainable development perspective were touched upon: interfacing with stakeholders, environmental protection, occupational health and safety, human capital development, and investment in development of the regions of the Company's presence.



# INDEPENDENT AUDITOR'S OPINION



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## Independent auditors' report

To the Shareholder and Management of "National Company "KazMunayGas" JSC

We have audited the accompanying consolidated financial statements of "National Company "KazMunayGas" JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S OPINION



## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of "National Company "KazMunayGas" JSC and its subsidiaries as at December 31, 2013, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 1 and 2 to the consolidated financial statements, which states that the presentation currency of the accompanying consolidated statements is the US Dollar. The accompanying consolidated financial statements were issued in addition to the consolidated financial statements of the Group presented in Kazakhstani tenge. We have audited the consolidated financial statements of the Group as at December 31, 2013 and for the year then ended, presented in Kazakhstani tenge, and expressed an unqualified opinion thereon in our audit report dated March 14, 2014.

*Ernst & Young LLP*

  
Bakhtiyor Eshonkutoy  
Auditor / audit partner

Auditor qualification certificate  
No. МФ-0000099 dated 27 August 2012

14 March 2014

  
Evgeny Zhemaletdinov  
General director  
Ernst and Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

## INFORMATION ON EXTERNAL AUDITOR

In 2013, JSC NC KazMunayGas signed the agreement with the Ernst & Young LLP on the financial reporting audit services for 2013–2015. The fee amount under this agreement is 148,811 thousand tenge, which includes by years:

- for 2013 - 49,604 thousand KZT;
- for 2014 - 49,604 thousand KZT;
- for 2015 - 49,603 thousand KZT;

The Ernst and Young LLP did not render other services to KMG in 2013.

Ernst & Young is an international leader in the sphere of audit, taxation and law, consulting support to transactions and consulting on the business conduct matters. The Ernst & Young company strives to make its positive contribution into development of companies, markets and society as a whole.

Over the time of cooperation KMG and Ernst & Young have gone a hard way of the development of financial accounting, especially during KMG's transition to the International Financial Reporting Standards (since 2002). During these years, Ernst & Young invested into the development of its professionals in order to render audit services on a high-quality level to KMG, whose structure was changing and getting more complicated together with the period of Kazakhstan's economic development.

## POLICY ON EXTERNAL AUDITOR

Policy on appointment and rotation of the external auditor and key personnel of the auditing firm, on approval of the auditing firm's services not related to audit of the financial reporting and other in respect of and recruitment of former employees of the auditing firm (excerpt from the Policy of JSC NC KazMunayGas on Attracting Services of Auditing Firms, approved by Resolution of KMG's BoD No. 2/2012 of 15 Mar 2012):

1. KMG believes that provision of certain services not related to auditing, and the level of the non-audit services fee paid to an auditing firm, may lead to a conflict of interest or actual or deemed loss of objectivity. Each of the potential services of an auditing firm is classified into one of the following categories:

Category A: non-audit services that may influence independence in securing current liabilities of an auditing firm and that may be provided by an auditing firm under the Law and subject to the conditions stipulated by the Code of Ethics for Professional Accountants.

Category B: non-audit services that will lead to the loss of independence in securing current liabilities of an auditing firm and are deemed to be prohibited services under the Law and subject to the restrictions contemplated by the Code of Ethics for Professional Accountants, such as reconstruction and keeping of accounts, preparation of financial reporting.

Services in Category A may be provided by an auditing firm conducting mandatory audit under the Law. For services in Category A, KMG will not engage an auditing firm carrying out KMG's mandatory audit. The Audit Committee shall consider the matter of accuracy of non-audit services classification, as necessary. Before an auditing firm is engaged for services in Category A, prior approval from the Audit Committee shall be required. In the request for determining the Auditor, an

# INDEPENDENT AUDITOR'S OPINION

auditing firm shall list the reasons for which getting the approval will not compromise the auditing firm's independence. Resolutions passed by the Audit Committee on this clause of the Policy shall be presented to the Board of Directors for reference.

Engagement of members of an Auditing Firm, who carry out audit of KMG's financial reporting, for rendering advisory services belonging to Category A shall be prohibited.

An auditing firm may not render to KMG advisory services amounting to over 50% of the total value of fee to be paid to the Auditor (other than advisory services related to audit of the financial reporting and other information).

At least once a year, KMG Chief Financial Officer shall ensure submission to the Audit Committee of a report containing the information for the previous period of 12 months, including:

- scope of audit services rendered by the Auditor;
- scope of non-audit services rendered by the Auditor (broken down into various categories of services);
- fee (for each individual service and in the aggregate) paid by KMG to the Auditor for rendering those services.

2. KMG shall demand from the Auditor adherence to the principle of rotation of the project partner (bearing primary responsibility for the audit) every five years. The succession plan upon achievement of this result shall be prepared by the Auditor and be submitted to the Audit Committee for consideration no later than one year prior to carrying out rotation.

3. In case appointment (election) to the post of KMG's executive employee or Chief Accountant of a person who is participating in KMG's mandatory audit as the Auditor's employee or who participated in KMG's mandatory audit as the Auditor's employee within two years prior to the date of its appointment (election) to KMG is proposed, in order to avoid a conflict of interest, prior approval from the Audit Committee of the proposed candidate shall be required for further consideration of its appointment (election).

Furthermore, former members of an auditing firm shall not be recruited to take up executive positions or positions assuming material influence on the process of the financial reporting preparation earlier than a year upon their resignation from the auditing firm.

## CONSOLIDATED FINANCIAL REPORTING

### For the year ending on 31 December 2013

## CONSOLIDATED FINANCIAL STANDING REPORT

In thousand KZT

as at 31 December

	2013 y.	2012 y.
<b>ASSETS</b>		
<b>Long-term assets</b>		
Fixed assets	3.739.035.749	3.423.256.395
Exploration and appraisal assets	221.699.938	185.284.168
Investment properties	28.243.320	
Intangible assets	200.442.883	201.207.926
Long-term bank deposits	81.935.736	2.487.515
Investment into joint ventures and associated companies	998.490.176	894.097.039
Deferred tax asset	29.688.534	34.167.348
VAT reimbursable	18.921.820	8.641.358
Advance payments for long-term assets	84.500.167	117.846.042
Bonds receivable from related party	36.922.676	36.725.575
Note receivable from joint venture participant	13.222.376	14.326.455
Note receivable from an associate	22.411.853	20.721.926
Loans to related parties	22.558.713	16.637.532
Miscellaneous long-term assets	28.237.430	30.347.102
	5.526.311.371	4.985.746.381
<b>Current assets</b>		
Inventories	204.342.042	203.281.273
VAT reimbursable	151.553.582	123.223.688
Income tax down payment	52.345.584	42.555.972
Trade receivables	284.447.047	219.286.785
Short-term financial assets	814.592.127	659.577.808
Note receivable from joint venture participant	3.969.193	3.895.304
Dividends receivable from an associate	19.262.694	34.820.940
Miscellaneous current assets	78.524.738	135.026.188
Cash and cash equivalents	407.326.766	415.085.451
	2.016.363.773	1.836.753.409
Assets classified as intended for sale	15.510.696	11.221.633
	2.031.874.469	1.847.975.042
<b>TOTAL ASSETS</b>	<b>7.558.185.840</b>	<b>6.833.721.423</b>

# INDEPENDENT AUDITOR'S OPINION

## CONSOLIDATED FINANCIAL STANDING REPORT (CONTINUED)

In thousand KZT

as at 31 December

<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Authorized capital	546.485.470	527.760.531
Additional paid capital	19.645.866	19.062.712
Miscellaneous capital	2.185.813	2.180.382
Reporting currency recalculation reserve	269.950.758	222.112.349
Retained earnings	2.611.367.993	2.241.272.475
Related to the parent company's shareholder	3.449.635.900	3.012.388.449
Non-controlling participatory interest	586.555.014	581.147.319
<b>Total capital</b>	<b>4.036.190.914</b>	<b>3.593.535.768</b>
<b>Long-term liabilities</b>		
Loans	2.005.432.081	1.593.704.304
Due for acquisition of additional interest in the North-Caspian Project	214.885.792	226.366.710
Due for acquisition of a subsidiary	-	-
Reserves	114.584.815	115.117.818
Deferred tax liabilities	157.991.090	154.546.429
Miscellaneous long-term liabilities	13.850.020	26.174.856
	<b>2.506.743.798</b>	<b>2.115.910.117</b>
<b>Current liabilities</b>		
Current portion of loans	301.710.769	469.943.861
Reserves	72.006.106	34.598.962
Income tax payable	55.365.055	48.103.198
Trade payables	246.359.108	227.115.792
Due for acquisition of additional interest in the North-Caspian Project	107.443.991	113.183.280
Other taxes payable	109.643.397	109.435.007
Derivative financial instruments	441.058	372.026
Miscellaneous current liabilities	119.197.681	117.740.857
	<b>1.012.167.165</b>	<b>1.120.492.983</b>
Liabilities related to the assets classified as intended for sale	3.083.963	3.782.555
<b>Total liabilities</b>	<b>3.521.994.926</b>	<b>3.240.185.655</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7.558.185.840</b>	<b>6.833.721.423</b>

**CONSOLIDATED TOTAL INCOME STATEMENT**

In thousand KZT

For the years ending 31 December

	2013 y.	2012 y.
Proceeds from sold goods and rendered services	3.252.719.115	2.960.418.491
Cost price of sold products and rendered services	(2.354.108.926)	(2.090.818.113)
<b>Gross profit</b>	<b>898.610.189</b>	<b>869.600.378</b>
General and Administrative Expenses	(162.733.410)	(163.051.472)
Transportation and selling expenses	(332.165.967)	(360.696.826)
Goodwill depreciation		
Impairment of fixed assets, exploration and appraisal assets and intangible assets, other than goodwill	(62.482.577)	(82.389.739)
(Loss) / income from fixed assets retirement, net	(4.940.947)	(3.825.536)
Proceeds from sale of a participatory share in a subsidiary	-	9.642.396
Miscellaneous operating income	30.747.927	27.527.008
Miscellaneous operating loss	(17.288.289)	(16.846.397)
<b>Profit from operating activities</b>	<b>349.746.926</b>	<b>279.959.812</b>
Foreign exchange loss, net	(22.202.042)	(18.005.652)
Financial income	42.388.429	29.024.440
Financial expenses	(171.743.877)	(169.183.806)
Depreciation of investment in jointly-controlled companies	-	(2.955.515)
Share in the income of joint ventures and associates, net	483.517.390	471.086.475
<b>Profit before income tax</b>	<b>681.706.826</b>	<b>589.925.754</b>
Income tax expenses	(193.395.929)	(177.130.700)
<b>Profit for year from continuing activities</b>	<b>488.310.897</b>	<b>412.795.054</b>
<b>Discontinued operations</b>		
Profit (loss) after taxes from discontinued operations	331.290	628.105
<b>Profit for year</b>	<b>488.642.187</b>	<b>413.423.159</b>
<b>Due to:</b>		
Parent company shareholder	440.955.063	369.420.373
Non-controlling participatory interest	47.687.124	44.002.786
	<b>488.642.187</b>	<b>413.423.159</b>

# INDEPENDENT AUDITOR'S OPINION

## CONSOLIDATED TOTAL INCOME STATEMENT (CONTINUED)

In thousand KZT

For the years ending 31 December

Miscellaneous aggregate income/(loss)		
Miscellaneous aggregate income		
Exchange difference resulting from the translation of the foreign subsidiaries financial statements	49.338.488	34.834.228
Revaluation of actuarial losses under defined benefit plans	(3.066.496)	–
Tax effect	421.186	
Miscellaneous aggregate income for period, less income tax	46.693.178	34.834.228
<b>Total aggregate income for period, less income tax</b>	<b>535.335.365</b>	<b>448.257.387</b>
Due to:		
Company's shareholder	486.251.522	402.959.622
Non-controlling participatory interest	49.083.843	45.297.765
	<b>535.335.365</b>	<b>448.257.387</b>

## CONSOLIDATED CASH FLOW STATEMENT

In thousand KZT

For the years ending 31 December

	2013 y.	2012 y.
<b>Cash flow from operating activities:</b>		
Profit before income tax from continuing activities	681.706.826	589.925.754
Profit before income tax from discontinued activities	331.290	611.161
Profit before taxes	682.038.116	590.536.915
Adjustments against:		
Ageing, depletion and amortization	180.622.767	163.920.017
Share in the income of joint ventures and associates	(483.517.390)	(471.086.475)
Financial expenses	171.743.877	169.265.287
Financial income	(42.388.429)	(29.033.061)
Proceeds from sale of a share in subsidiaries	–	(9.642.396)
Impairment of fixed assets, exploration and appraisal assets and intangible assets, other than goodwill	62.482.577	82.389.739
Goodwill depreciation	–	–
Depreciation of investment in jointly-controlled companies	–	2.955.515
Unrealized gain from oil hedging operations	–	–
Loss/(income) from fixed assets retirement, net	4.940.947	3.825.536
Reserves	9.936.903	(3.648.057)
Allowance for doubtful debts	3.533.899	12.845.618
Provision for obsolete inventories	1.355.756	1.323.816
Recognition of expense on the option plan	–	1.052.261
Disposal of equity instruments	25.867	–
Unrealized foreign exchange (gain) / loss	14.094.941	21.719.359
<b>Profit from operating activities before changes in the floating capital</b>	<b>604.869.831</b>	<b>536.424.074</b>

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

In thousand KZT

For the years ending 31 December

Change in inventories	(2.416.525)	(16.944.951)
Change in VAT reimbursable	(38.610.356)	(43.383.785)
Change in trade receivables	(68.694.161)	(30.325.957)
Change in miscellaneous current assets	65.418.351	46.800.225
Change in other taxes payable	208.390	10.537.323
Change in trade payables	14.537.267	(112.166.982)
Change in miscellaneous long-term assets	2.109.672	-
Change in miscellaneous liabilities	1.456.824	(26.571.922)
Cash inflow from operating activities	578.879.293	364.368.025
Income tax paid	(136.127.337)	(122.294.681)
Fee received	33.683.149	19.484.736
Fee paid	(132.442.421)	(125.297.871)
Oil hedging operations payments, net	-	-
Net cash inflow from operating activities	343.992.684	136.260.209
<b>Cash flow from investment activities:</b>		
(Placement) / return of deposits in banks	(267.937.850)	(184.985.705)
Acquisition of subsidiaries, less cash received	-	-
Acquisition of fixed assets and intangible assets	(589.790.095)	(452.827.782)
Cash inflow from sale of fixed assets and intangible assets	11.701.790	9.311.877
Proceeds from sale of subsidiaries, less retired cash	-	9.422.051
Payments received from joint ventures and associates	370.549.999	467.629.802
Acquisition of and contributions into joint ventures	(34.200)	(8.793.659)
Repayment of loans granted to the Shareholder	24.728.274	95.877.707
Acquisition of interest in Karachaganak	-	(150.035.141)
Repayment of a loan granted to a related party	-	4.149.281
Repayment of loan for acquisition of KPV	-	-
Cash of a subsidiary classified as held for sale	-	(539.668)
Loan provided to related party	(11.309.069)	-
<b>Net flow of cash (used in) / received from investment activities</b>	<b>(462.091.151)</b>	<b>(210.791.237)</b>

# INDEPENDENT AUDITOR'S OPINION

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

In thousand KZT

For the years ending 31 December

<b>Cash flow from financial activities:</b>		
Proceeds of loans	790.901.238	563.266.802
Repayment of loans	(598.401.903)	(473.073.217)
Acquisition of non-controlling participatory interest	-	-
Dividends paid to the non-controlling interest shareholders	(43.105.904)	(34.322.200)
Dividends distributed to Shareholder	(38.961.363)	(143.201.087)
Share issue	-	2.000.004
Repurchase of the own stock by a subsidiary	(153.058)	(36.202.658)
Proceeds from issue of shares - KTO	-	27.320.363
Sale of non-controlling participatory interest of a subsidiary without loss of control		304.084
Miscellaneous payments to Shareholder	(2.554.420)	-
Net use of cash from financial activities	107.724.590	(93.907.909)
Effect of change in exchange rates on cash and its equivalents	2.615.192	1.571.535
<b>Net change in cash and cash equivalents</b>	<b>(7.758.685)</b>	<b>(166.867.402)</b>
<b>Cash and its equivalents as of the beginning of the year</b>	<b>415.085.451</b>	<b>581.952.853</b>
<b>Cash and its equivalents as of the beginning of the year</b>	<b>407.326.766</b>	<b>415.085.451</b>

Non-cash transactions, including the following, were excluded from the consolidated cash flow statement:

- In 2013, fixed assets were purchased based on advances made in 2012 for the total amount of 38.051.924 thousand KZT (in 2012: 41.060.872 thousand KZT).
- As at 31 December 2013, accounts payable for the fixed assets was increased by 4.706.049 thousand KZT (in 2012: 71.288.948 thousand KZT).
- In 2013, the Company issued additional common stock for the total amount of 18.724.939 thousand KZT, gas pipelines for the amount of 9.808.038 thousand KZT and restricted cash in the amount of 8.916.901 thousand KZT were transferred in return for.
- In 2013 the Group capitalized borrowing costs for the amount of 12.253.918 thousand KZT (in 2012: 6.790.893 thousand KZT).

	In thousand kZT	Due to the Company's shareholder							
		Authorized capital	Additional paid-in capital	Miscellaneous capital	Reporting currency recalculation reserve	Retained earnings	Total	Non-controlling participatory interest	Total
<b>As at 31 December 2011 (Recalculated)*</b>		<b>341,393,764</b>	<b>17,314,366</b>	<b>1,966,059</b>	<b>188,573,100</b>	<b>2,033,113,206</b>	<b>2,582,360,495</b>	<b>581,657,604</b>	<b>3,164,018,099</b>
Profit for year		-	-	-	-	369,420,373	369,420,373	44,002,786	413,423,159
Miscellaneous aggregate income		-	-	-	33,539,249	-	33,539,249	1,294,979	34,834,228
<b>Total amount of aggregate income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>33,539,249</b>	<b>369,420,373</b>	<b>402,959,622</b>	<b>45,297,765</b>	<b>448,257,387</b>
Contribution to authorized capital		186,366,767	(2,939,756)	-	-	-	183,427,011	-	183,427,011
Dividends		-	-	-	-	(143,201,087)	(143,201,087)	(34,322,200)	(177,523,287)
Contribution by the Company's Shareholder		-	-	-	-	-	4,688,102	-	4,688,102
Distributions to the Company's Shareholder		-	4,688,102	-	-	(21,805,594)	(21,805,594)	-	(21,805,594)
Recognition of payments based on equity instruments in subsidiaries		-	-	-	-	(603,361)	(389,038)	1,441,299	1,052,261
Change in the participatory interest in a subsidiary without loss of control		-	-	-	-	(1,857,818)	(1,857,818)	29,178,181	27,320,363
Buy-back of shares from the market by a subsidiary		-	-	-	-	6,309,241	6,309,241	(42,511,899)	(36,202,658)
Changes in the subsidiaries ownership ratio		-	-	-	-	(102,485)	(102,485)	406,569	304,084
<b>As of 31 December 2012</b>		<b>527,760,531</b>	<b>19,062,712</b>	<b>2,180,382</b>	<b>222,112,349</b>	<b>2,241,272,475</b>	<b>3,012,388,449</b>	<b>581,147,319</b>	<b>3,593,535,768</b>
Profit for year		-	-	-	-	440,955,063	440,955,063	47,687,124	488,642,187
Miscellaneous aggregate income		-	-	-	47,838,409	(2,541,950)	45,296,459	1,396,719	46,693,178
<b>Total amount of aggregate income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>47,838,409</b>	<b>438,413,113</b>	<b>486,251,522</b>	<b>49,083,843</b>	<b>535,335,365</b>
Contribution to authorized capital		18,724,939	-	-	-	-	18,724,939	-	18,724,939
Dividends		-	-	-	-	(38,961,363)	(38,961,363)	(43,577,144)	(82,538,507)
Contribution by the Company's Shareholder		-	583,154	-	-	-	583,154	-	583,154
Distributions to the Company's Shareholder		-	-	-	-	(29,322,614)	(29,322,614)	-	(29,322,614)
Recognition of payments based on equity instruments in subsidiaries		-	-	-	-	96,979	102,410	(76,543)	25,867
Buy-back of shares from the market by a subsidiary		-	-	5,431	-	(130,597)	(130,597)	(22,461)	(153,058)
<b>As of 31 December 2013</b>		<b>546,485,470</b>	<b>19,645,866</b>	<b>2,185,813</b>	<b>269,950,758</b>	<b>2,611,367,993</b>	<b>3,449,635,900</b>	<b>586,555,014</b>	<b>4,036,190,914</b>

## **MATERIAL ASPECTS OF ACCOUNTING POLICY**

The group has for the first time applied certain new standards and amendments to the existing standards, requiring recalculation of the disclosures made in the previous financial information. Among these are IFRS 10 'Consolidated Financial Reporting', IFRS 11 'Joint Operating Agreements', IFRS 19 'Employees' Benefits' (as amended in 2011), IFRS 13 'Fair Valuation' and amendment to IFRS 1 'Presentation of Financial Statements'. Furthermore, application of IFRS 12 'Disclosure of Interest in Other Entities' has entailed disclosure of additional information in the consolidated financial reporting.

Material aspects of the accounting policy taking into account changes in the accounting policy and the information disclosure principles, that happened in 2013, are set out in detail in the annual financial reporting of JSC NC KazMunayGas for 2013.

Chairman of Management Board

S. Mynbayev

# GLOSSARY (abbreviations)

**2D** – seismic acquisition in two planes  
**3D** – seismic acquisition in three planes  
**AGP** – Asia Gas Pipeline (trunk gas pipeline for transportation of the Central Asian gas to China)  
**AR** – Atyrau Refinery  
**BBSH** – Kazakhstan section of the Asia Gas Pipeline, running through Beineu – Bozoi – Shymkent  
**BTL** – Batumi Terminal Limited  
**CASPAR** – JSC “Caspiyskoye parakhodstvo”, Azerbaijani national shipping company  
**CAWs** – construction-and-assembly works  
**CCED** – Central Commission for Exploration and Development of the RoK’s Ministry of Oil and Gas  
**CDPM** – a seismic acquisition method using common depth point  
**CPC** – Caspian Pipeline Consortium (trunk oil pipeline from transporting oil from the Tengiz field to the port of Novorossiysk on the Black Sea)  
**CS** – compressor station  
**DE** – dependent entity  
**DED** – design-and-estimate documentation  
**EBITDA** – analytical indicator presenting the amount of profit before tax, amortization costs and credit interest  
**EIA** – environmental impact assessment  
**EPC** – exploitation production complex (artificial islands in the area of the Kashagan field development with oil blend separation and gas injection units)  
**EPC contract** (engineering, procurement, construction) – type of a turnkey construction contract  
**FFS** – fuel filling station  
**FGP** – Tengiz field future growth project  
**FS** – feasibility study  
**GEWs** – geologic exploration works  
**GFS** – gas filling station  
**GIS** – geographic information system  
**HC** – hydrocarbons  
**HDPE** – high-density polyethylene  
**HVL** – high voltage line  
**HVS** – high voltage substation  
**IPL** – integrated process line at the Tengiz field  
**JBIC** – Japan Bank for International Cooperation  
**JCE** – jointly controlled entity  
**JUR** – jack-up self-elevating drilling rig  
**JV** – joint venture  
**KGP** – Karachaganak field growth project  
**KING** – JSC Kazakh Institute of Oil and Gas  
**KMG** – Joint-Stock Company “National Company KazMunayGas  
**KMG RM** – JSC KazMunayGas – Refining & Marketing  
**KMTF** – National Maritime Shipping Company Kazmortransflot JSC, KMG’s subsidiary dependent company  
**KPIs** – key performance indicators  
**KPO** – Karachaganak Petroleum Operating b.v., the operator of the Karachaganak gas and condensates field  
**KSCS** – Kazakhstan sector of the Caspian Sea  
**KTG** – JSC KazTransGas

**KTO** – JSC KazTransOil  
**LDPE** – low-density polyethylene  
**MA-VSP** – multi-azimuth vertical seismic profiling, a seismic acquisition method  
**ME** – miscellaneous entity  
**MMtpa** – million metric tons per annum  
**NC** – North Caspian  
**NCERB** – North-Caspian Environmental Oil Spills Response Base  
**NCP** – North-Caspian Project  
**NGVRS** – NGV refill station  
**OGPP** – Orenburg Gas-Processing Plant  
**PCC** – petrochemical complex  
**PCD** – pilot commercial development  
**PKOP** – PetroKazakhstan Oil Products JSC, the owner of the Shymkent Refinery  
**PPCP** – Pavlodar Refinery  
**PreEIA** – preliminary hearing on environmental impact assessment  
**PS** – pump station  
**PSA** – production sharing agreement  
**R&D** – research-and-development works  
**ROACE** (Return on Average Capital Employed) is a financial indicator used for evaluating the results of the company's operations and showing return on capital employed Return on average capital employed is the ratio of the net profit less preference dividends to the average ordinary shareholder's equity  
**RoK MINT** – Ministry of Industry and Trade of the Republic of Kazakhstan  
**RoK MOG** – Ministry of Oil and Gas of the Republic of Kazakhstan  
**RWC** – raw hydrocarbons  
**SDE** – subsidiary dependent entity  
**SEC** – science and engineering council  
**SGP** – second generation plant at the Tengiz field  
**SRC** – State Commission of Mineral Reserves  
**SS** – soil surveying  
**TCO** – Tengizchevroil LLP, the operator for development of the Tengiz field  
**TP** – test production  
**TRG** – The Rompetrol Group, an integrated Romanian oil and gas company  
**WPCP** – well-head pressure control project at the Tengiz field